

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-17** | Period of Report: **1993-12-31**
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FILER

BOSTON GAS CO

CIK: **13390** | IRS No.: **041103580** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **002-23416** | Film No.: **94516413**
SIC: **4922** Natural gas transmission

Business Address
*ONE BEACON ST
BOSTON MA 02108
6177428400*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 2-23416

<TABLE>

BOSTON GAS COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<S>

<C>

MASSACHUSETTS
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)
ONE BEACON STREET
BOSTON, MASSACHUSETTS 02108
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

04-1103580
(I.R.S. EMPLOYER IDENTIFICATION NO.)

(617) 742-8400
(REGISTRANT'S TELEPHONE NUMBER)

</TABLE>

<TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S> None	<C> None

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

Indicate by Check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this form 10-K. Yes X No

Indicate the number of shares outstanding of the registrant's class of common stock as of March 14, 1994.

ALL COMMON STOCK, 514,184 SHARES, ARE HELD BY EASTERN ENTERPRISES.

The registrant meets the conditions set forth in General Instruction (J) (1) (a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format.

BOSTON GAS COMPANY

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 1993

PART I

ITEM 1. BUSINESS.

GENERAL DEVELOPMENT OF BUSINESS

Boston Gas Company (the "Company") is engaged in the transportation, distribution and sale of natural gas to residential, commercial, and industrial customers which includes the City of Boston, Massachusetts, and 73 other Massachusetts communities. The Company has one subsidiary, Massachusetts LNG Incorporated ("Mass LNG"), which holds a long-term lease on two liquefied natural gas facilities. The Company has been in business for 171 years and is the second oldest gas company in the United States. Since 1929, all of the common stock of the Company has been owned by Eastern Enterprises ("Eastern"), which is headquartered in Weston, Massachusetts.

GAS SALES

<TABLE>

The following table provides statistical information with respect to the Company's sales during the three years 1991-1993.

SALES STATISTICS

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
	----	----	----
	<C>	<C>	<C>
Gas sales by classification (millions of cubic feet @ 1,000 B.T.U.)			
Residential			
Heating (A).....	38,126	37,923	32,731
Non-heating.....	3,793	3,906	3,847
Commercial (B).....	26,011	25,796	23,614
Industrial -- firm.....	4,955	4,914	4,150
Seasonal firm contracts.....	10,022	6,379	--
	-----	-----	-----
Total -- firm.....	82,907	78,918	64,342
Interruptible.....	8,106	14,456	20,206
Special sales for resale.....	2,083	4,246	--
	-----	-----	-----
Total gas sales.....	93,096	97,620	84,548
Interruptible transportation.....	39,304	27,270	31,424
Firm transportation.....	12,351	7,369	--
	-----	-----	-----
Total throughput.....	144,751	132,259	115,972
	=====	=====	=====
Percent of normal billing degree days.....	99%	104%	87%

- - - - -

<FN>

(A) The heating classification includes all gas sold to customers having central or space heating.

(B) The commercial classification includes central-metered apartment houses and condominiums with five or more units.

</TABLE>

Firm gas sales are made under rate schedules or contracts with customers who do not contemplate service interruption. Firm sales of natural gas sold for purposes of space heating are directly related to weather conditions. Consequently, variations in weather patterns can have a significant impact upon the Company's revenues and earnings. The Company also provides seasonal firm sales and transportation services to customers for terms of less than 365 days.

Non-firm sales include interruptible sales made pursuant to contracts with customers who typically can use oil and gas interchangeably and special sales for resale to other gas companies for distribution to their

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customers. Non-firm sales are dependent upon gas supply availability, weather conditions and the price of gas in relation to the price of alternate fuels. The price the Company charges is generally tied to the price of the customer's alternate fuel. Availability of gas supply and price competition from residual oil are important factors in retaining non-firm sales. Beginning November 1, 1993, gross margins from non-firm sales and transportation services (\$8,434,000 in 1993 and \$10,248,000 in 1992) are passed back to firm customers through the cost of gas adjustment clause up to a threshold based upon the prior season's experience. Non-firm margins realized in excess of the threshold are shared between shareholders and core customers 25% and 75%, respectively.

One customer accounted for 4.0% of the Company's operating revenues in 1993, 2.3% in 1992 and 3.5% in 1991.

GAS SUPPLY

The Company purchases approximately 70% of its pipeline gas supplies directly from producers and marketers pursuant to long-term contracts which are subject to review and approval by the Massachusetts Department of Public Utilities ("Department"). Seven of the Company's direct purchase agreements have been approved by the Department including two long-term Canadian agreements. Five other long-term agreements are pending before the Department, with orders expected by April, 1994. The Company purchases its remaining pipeline supplies pursuant to short-term, firm winter service agreements and on a spot basis. Pipeline supplies are transported on interstate pipeline systems to the Company's service territory pursuant to transportation agreements approved by the Federal Energy Regulatory Commission ("FERC"). The Company has also contracted with pipeline companies and others for the storage of natural gas and related transportation from underground storage fields located in New York and Pennsylvania. Supplemental supplies of liquefied natural gas ("LNG") and propane are purchased and produced from foreign and domestic sources.

All interstate pipelines serving the Company have implemented service restructuring plans on terms and conditions approved by FERC pursuant to Order No. 636. Order No. 636, issued April 8, 1992, required interstate pipeline companies to unbundle existing gas service contracts into separate gas sales, transportation and storage services. Accordingly, the Company's firm bundled service with Algonquin Gas Transmission Company ("Algonquin"), a wholly-owned subsidiary of Algonquin Energy, Inc., a wholly-owned subsidiary of Texas Eastern Transmission Corporation ("Texas Eastern"), itself a wholly-owned subsidiary of Panhandle Eastern Corporation, was converted to an annual firm transportation entitlement of 65,600 MMCF. Similarly, the Company's firm bundled sales service with Texas Eastern has been converted to an annual firm transportation entitlement of 100,100 MMCF; and its firm bundled sales service with Tennessee Gas Pipeline Company, a division of Tenneco, Inc. ("Tennessee"), has been converted to an annual firm transportation entitlement of 77,800 MMCF. In addition, as a result of industry restructuring, the Company has firm entitlements on interstate pipelines upstream of Tennessee, Texas Eastern, and Algonquin, with direct access to supply areas. Together, these transportation entitlements are used to transport natural gas purchased by the Company from producing regions and underground storage facilities to our service territory. After restructuring, the Company now holds direct entitlements to 16,500 MMCF of storage capacity with Tennessee, Texas Eastern and others. These new transportation and storage agreements with Algonquin, Texas Eastern, and Tennessee have terms generally expiring no earlier than November 1996, April 2012, and April 2000, respectively. The Company is provided rights of first refusal under Order No. 636 to extend the terms of such service. The Company considers the service reliability of its natural gas portfolio after industry restructuring to be comparable to that existing prior to Order No. 636.

In addition to its domestic supply arrangements, the Company has three contracts for the purchase of Canadian gas supplies. The Company's contract with Boundary, Inc. provides for the purchase of 3,845 MMCF of gas annually and expires on January, 2003. The Company also has contracts with Alberta Northeast Gas, Ltd. ("ANE") to purchase up to 6,242 MMCF of gas annually, and with

Imperial Oil of Canada, Ltd. ("Imperial"), formerly Esso Resources Canada, Ltd., for the purchase of 12,775 MMCF of gas annually. These contracts expire on November, 2003 and April, 2007, respectively. The Company has contracted with Iroquois Gas Transmission System ("IGTS"), Tennessee and Algonquin to transport these

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gas supplies from the Canadian border to delivery points in the Company's service territory. All necessary Canadian government approvals for the purchase, import, and transportation of these volumes have been issued.

The Company has contracts, expiring in 1998, with Distrigas of Massachusetts Corporation ("DOMAC") for the purchase of an annual quantity of up to 2,000 MMCF of LNG and for 1,000 MMCF of LNG storage capacity and related vaporization services. The Company also purchases LNG from DOMAC on a spot basis when prices are competitive with alternative supplies. DOMAC's affiliate, Distrigas Corporation, imports the LNG from Algeria pursuant to agreements with Sonatrach, the Algerian National Energy Company, through its wholly-owned subsidiary Sonatrading Amsterdam B.V. The United States Department of Energy ("DOE") and FERC have granted the necessary approvals for the import, sale and storage of LNG.

The Company relies on supplemental supplies to meet firm sendout requirements which are greater than its firm pipeline capacity entitlements. The number of days that peak sendout can be maintained is limited by the capacity of the Company's storage facilities for supplemental gas supplies and the rate at which these supplies can be sent out, and subsequently replenished. Increased deliveries of pipeline supplies have reduced the Company's dependence on more costly supplemental supplies. The Company considers its peak day sendout capability, based on its total supply resources, adequate to meet the requirements of its customers.

The Company owns or leases facilities which enable it to store the equivalent of 4,000 MMCF of natural gas in liquid form as LNG and vaporize it for use during periods of high demand. The inventory for these facilities is provided by liquefaction of pipeline gas and from LNG purchased. The maximum storage capacity of these facilities may be limited by various factors, including maintenance and other operating considerations.

In addition to LNG, the Company has the ability to use propane to meet its demand requirements during periods of extreme cold weather. Propane can be mixed with air and introduced, along with natural gas, into the gas distribution system at a number of propane-air facilities owned by the Company.

<TABLE>

The following table provides statistical information with respect to the Company's sources of supply during 1991-1993:

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Gas supply (millions of cubic feet @ 1,000 B.T.U.)			
Natural gas purchased.....	86,276	94,086	77,283
Propane and manufactured gas.....	18	50	77
LNG purchased.....	13,375	12,344	11,412
	-----	-----	-----
Total manufactured and purchased.....	99,669	106,480	88,772
Deduct:			
Net increase in storage gas.....	4,021	5,195	1,034
Company use, unbilled and other.....	2,552	3,665	3,190
	-----	-----	-----
Total gas billed.....	93,096	97,620	84,548
	=====	=====	=====

</TABLE>

REGULATION AND RATES

The Company's operations are subject to Massachusetts statutes applicable to gas utilities. Rates, the territorial limit of the Company's service area,

issuance of securities, affiliated party transactions, purchase of gas and pipeline safety regulations are regulated by the Department.

The rates for gas service rendered by the Company are subject to approval by, and are on file with, the Department. Gas operating revenues are recognized when billed. No revenue is recorded for the amount of gas distributed to customers which is unbilled at the end of a period. The Company has a cost of gas adjustment clause which allows for the adjustment of billing rates for firm gas sales to recover the cost of gas delivered to firm customers. For financial reporting purposes, the Company defers the cost of any firm gas that has been distributed, but is unbilled at the end of a period, to a period in which the gas is billed to customers.

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On October 30, 1993, the Department allowed the Company an annual revenue increase of \$37,700,000, effective November 1, 1993, and also approved several rate design changes that reduce the volatility of the Company's margins attributable to weather. This was accomplished by increasing customer charges and moving the recovery of certain local production and storage costs from base rates to the cost of gas adjustment clause.

Facility expansion is regulated by the Department. Municipal, state and federal authorities have jurisdiction over the use of public ways, land and waters for gas mains and other distribution facilities.

LICENSES AND FRANCHISES

The Company and Eastern were granted an intrastate exemption from the provisions of the Public Utility Holding Company Act of 1935 ("the Act") under Section 3(a)(1) thereof, pursuant to an order of the Securities and Exchange Commission (the "SEC") dated February 28, 1955, as amended by orders dated November 3, 1967 and August 28, 1975. On February 7, 1989, the SEC issued a proposed rule under the Act which would provide limits for non-utility related diversification by intrastate public utility holding companies, such as Eastern, that are exempt under the Act. Since its proposal in 1989, the SEC has taken no action with respect to this proposed rule. Eastern and the Company cannot predict whether this proposed rule will be adopted or whether it will affect their exemption under the Act.

Except as set forth above, there are no patents, trademarks, licenses or concessions that are important to the business of the Company.

COMPETITION AND MARKETING

The Company competes with fuel oil and electricity and other supplies of gas for residential, commercial and industrial uses. The Company's marketing efforts continue to benefit from growing customer awareness of natural gas as a safe, reliable, economical and environmentally sound fuel. Customer recognition that the use of gas improves overall air quality, reduces pollutants and eliminates on-site fuel storage problems has become increasingly significant.

The Company added annual firm sales of approximately 2,443 MMCF in 1993. In the commercial and industrial markets, where the Company has a 22% market share in its service territory, a degree of penetration which is approximately half that of the United States commercial and industrial market share, considerable growth opportunities exist. In 1993, the Company added new firm annual load of 1,812 MMCF in these markets. Increasing environmental regulation of emissions should provide additional opportunities in the commercial and industrial markets. The Company has identified several industrial facilities that must file compliance plans under these regulations by April 1, 1994.

Approximately 4,391 residential customers converted to gas for central heating last year. Despite lower oil prices, the Company expects continued strong activity in the residential conversion market. Approximately 46% of the Company's existing customers do not use gas for central heating. The Company plans on targeting this group as well as electrically-heated residential complexes with special programs to encourage the conversion to natural gas.

FERC Order No. 636 and other regulatory changes have increased the potential for competition among existing and new suppliers of natural gas in the Company's service area, particularly in large commercial and industrial markets

(see "Gas Supply"). The Company believes it is well positioned to respond to such sales competition. The Company received approval from the Department to file contracts designed to compete with non-captive commercial and industrial customers with alternative energy options. This provides for an expedited approval process and enhances the Company's ability to negotiate sales agreements that reflect competitive market conditions. In June 1992, FERC granted the Company authority to make sales for resale in interstate commerce under the terms of a blanket marketing certificate. This additional sales authority allows the Company to maximize the use of its supply entitlements, thereby minimizing the cost of gas to firm customers and making its sales rates more competitive. The Company is also well positioned to provide transportation service to customers who may engage in direct purchases of natural gas from other suppliers under firm and interruptible transportation tariffs approved by the Department. The rate design changes

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approved by the Department in the October 30, 1993 rate order provide for margin neutrality regardless of the customer's decision to purchase gas directly from the Company or purchase third-party gas for transportation on the Company's distribution system.

The Company continues to pursue market opportunities in natural gas-powered vehicles. The recent passage of The National Energy Policy Act, as well as the Clean Air Act Amendments of 1990, both of which mandate the use of alternative fuel vehicles by the mid-1990's by certain commercial fleets, have enhanced opportunities in this market. The Company has initiated a number of programs demonstrating the environmental and operating advantages of natural gas vehicles. The Company's marketing activities include the installation of two Company-owned fueling stations, conversion of 92 Company vehicles, and establishment of pilot programs with a number of large fleet operators to demonstrate the advantages of choosing natural gas to meet alternative fuel vehicle requirements.

Other new markets, such as air conditioning, cogeneration and desiccant dehumidification continue to develop as new technologies emerge.

ENVIRONMENTAL REGULATION

The Company is subject to local, state and federal environmental regulation of its operations and properties. The Company is working with the Massachusetts Department of Environmental Protection ("DEP") to determine the environmental impact, if any, of by-products associated with 13 former manufactured gas plant ("MGP") properties which the Company currently owns and for which the Company may be potentially responsible. The Company is currently assessing seven of these properties pursuant to applicable DEP procedures. The Company expects to spend approximately \$1 million in assessing these properties in 1994 and expects similar expenditures for site assessment for the next several years as other properties are investigated. Since the DEP has not yet approved a remediation plan for any Company site, the Company cannot reliably predict the potential liability associated with final remediation of any of these properties. Company experience to date indicates that assessment and remediation costs of at least \$18 million could be incurred over the next several years at these thirteen properties, subject to possible contribution or the assumption of responsibility by New England Electric System ("NEES") or one of its subsidiaries as discussed below.

Massachusetts Electric Company, a wholly-owned subsidiary of NEES, has assumed responsibility for remediating a fourteenth property currently owned by the Company (part of the site of gas manufacturing operations in Lynn, Massachusetts) pursuant to the decision of the Court of Appeals for the First Circuit in *The John S. Boyd, Inc., et al. v. Boston Gas Company, et al*, Civil Action No. 89-575-T (May 26, 1993). The First Circuit found that NEES and its subsidiaries, as the prior owners and operators of the Lynn MGP site, were responsible for remediating the site and that the Company did not assume any liability for environmental remediation when it acquired the property from NEES in 1973. Of the thirteen other sites currently owned by the Company, ten were acquired from NEES. Given substantial similarities between these acquisitions and that involved in Boyd, it is not probable that the Company will have any material exposure for environmental remediation at these ten sites.

There are 23 other former MGP sites within the Company's service territory

which the Company does not currently own. The DEP has not issued a Notice of Responsibility to the Company for any of these 23 sites. At this time, there is substantial uncertainty as to whether the Company is responsible for remediating any of these sites either because the Company never owned the site, the Company does not have successor liability for contamination of the site by earlier operators, or site conditions do not require remediation by the Company.

By an order issued on May 25, 1990, the Department approved a settlement agreement which provides for the recovery through the cost of gas adjustment clause of all environmental response costs associated with former MGP sites over separate, seven-year amortization periods without a return on the unamortized balance. The settlement agreement also provides for no further investigation of the prudence of any Massachusetts gas utility's past MGP operations.

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EMPLOYEE RELATIONS

As of December 31, 1993, the Company had 1,720 employees, 71% of whom were organized in six local unions with which the Company has collective bargaining agreements. In 1993, after a seventeen-week work stoppage, the Company entered into a new six-year labor contract with the bargaining units which, among other things, provides for annual general wage increases of approximately 4%, updates work rules and changes health care coverage to a managed care program with cost sharing.

ITEM 2. PROPERTIES.

The Company and Mass LNG own or lease facilities which enable them to liquefy natural gas in periods of low demand, store the resulting LNG and vaporize it for use in periods of high demand. The Company owns and operates such a facility in Dorchester, Massachusetts, and Mass LNG leases and operates one such facility in Lynn, Massachusetts, and a storage facility in Salem, Massachusetts. In addition, the Company owns propane-air facilities at several locations throughout its service territory.

In addition to the properties described above, the Company owns or leases several small buildings and miscellaneous parcels of land located throughout its service area which are used for such purposes as storage, subsidiary operations centers, district business offices and natural gas receiving stations.

The Company's gas distribution system on December 31, 1993 included approximately 5,700 miles of gas mains, 396,000 services and 519,000 active customer meters.

The Company's gas mains and services, as well as related equipment, are, in general not on land owned in fee, being in part, in, under or over public ways, land or water and, in part, upon or under private ways or other property not owned by the Company, such occupation of public and private property being, in general, pursuant to easements, licenses, permits or grants of location. Except as stated above, the principal items of property of the Company are owned in fee. A portion of the utility properties and franchises of the Company are pledged as security for the Company's First Mortgage Bonds.

In 1993, the Company's expenditures on capital expansion and improvement were \$47.1 million. Capital expenditures were principally made for improvements to the distribution system, for system expansion to meet customer demand and for productivity enhancement.

ITEM 3. LEGAL PROCEEDINGS.

With the resolution of the John Boyd case discussed in Item 1 above, and other than normal routine litigation incidental to the Company's business, there are no material pending legal proceedings involving the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of Security Holders in the fourth quarter of 1993.

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PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Eastern was the holder of record of all of the outstanding common equity securities of the Company throughout the year ended December 31, 1993. Dividends on such common equity amounted to \$8,998,219 and \$7,712,760 for 1993 and 1992, respectively. At December 31, 1993, under the most restrictive provision limiting dividend payments in the Company's financing indentures, there were no restrictions on retained earnings.

ITEM 6. SELECTED FINANCIAL DATA.

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

1993 COMPARED TO 1992

Earnings available to common shareholders in 1993 of \$18.0 million were \$9.3 million lower than the prior year. Earnings in 1992 reflect a one-time increase of \$7.2 million, as a result of a modification to the Company's gas cost recovery mechanism approved by the Department in May 1992. The modification shifted the recovery of a portion of pipeline gas costs from the non-heating season to the heating season to more closely match revenues with costs incurred. Excluding such modification, earnings year to year decreased \$2.1 million. This decline in earnings was primarily due to the seventeen week labor dispute and increased depreciation and amortization expense. In addition, weather was 1.3% warmer than normal and 4.5% warmer than 1992.

Partially offsetting the above was a \$5.0 million increase in net earnings related to the rate increase granted the Company by the Department effective November 1, 1993. The Department awarded the Company an annual revenue increase of \$37.7 million, or 6.3%. During 1993, the Company added annual firm sales of approximately 2.4 BCF from the conversion of approximately 4,391 existing non-heating residences to natural gas and the addition of new customers.

Operating earnings of \$49.0 million, excluding the 1992 operating earnings impact of the change in the gas cost recovery mechanism of \$11.6 million, were \$2.4 million lower than 1992. The increase in operating expenses was mainly due to the work stoppage and its resultant impact on expenditure capitalization. Depreciation and amortization expense increases in 1993 are principally the result of continued investments in system replacement and expansion and productivity programs. Year to year increases in property taxes also contributed to the decline in operating earnings.

1992 COMPARED TO 1991

Earnings available to common shareholders in 1992 of \$27.3 million were 76% higher than 1991 earnings of \$15.5 million primarily due to more seasonable weather and the modification to the Company's gas cost recovery mechanism approved by the Department effective May 1, 1992. Since the change took effect May 1, 1992, the Company recognized a one-time increase in earnings of \$7.2 million; however, the modification has no impact on earnings over a 12 month period. Excluding the modification to the gas cost recovery mechanism, earnings year to year increased \$4.6 million.

More seasonal weather, following unusually warm weather conditions in 1990 and 1991, produced the most favorable impact on 1992 earnings, representing a \$9.1 million increase over 1991 results. 1992, which was 19% colder as compared to 1991, resulted in an increase in firm gas sales of 7.3 BCF. Growth in the firm customer base also contributed to the increase in earnings. During 1992, the Company added annual firm sales of approximately 3.1 BCF from the conversion of 4,690 existing non-heating residences to natural gas and the additional new customers.

Operating earnings, excluding the pre-tax impact of the change in the gas cost recovery mechanism of \$11.6 million, were \$12.2 million higher than 1991 operating earnings of \$39.3 million. Operating expense

increases were primarily the result of higher labor and system maintenance costs. Depreciation and amortization expense increased in 1992 due to continued investments related primarily to customer growth, system replacement and productivity improvements. Interest expense increased in 1992 as compared to 1991 due to higher levels of average debt outstanding and reduced capitalized interest.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains four committed lines of credit totaling \$40.0 million. The Company also maintains various uncommitted lines of credit and markets its own commercial paper. In addition, the Company may borrow up to \$45.0 million under Eastern's credit facilities.

In accordance with the rate order issued by the Department effective October 1, 1988, the Company funds all of its gas inventory through external financing. The costs of such financing are recovered from customers through the Company's cost of gas adjustment clause. Effective December 31, 1993, the Company increased its credit capacity for fuel financing through the negotiation of a credit agreement with a group of banks which provides for borrowing of up to \$90.0 million for the purpose of financing its inventory of gas supplies. The Company's capacity under the prior agreement was \$60.0 million. (See Note 4 of the Notes to Consolidated Financial Statements.)

On May 12, 1993, the Company received from its shareholder, Eastern Enterprises, a \$20.0 million equity contribution, which was used to redeem \$20.0 million of the Company's outstanding 9% Debentures, due 2001.

On July 13, 1993, the Registrant selected a Final Term which is a Mandatory Redemption Term with respect to its Variable Term Cumulative Preferred Stock, Series A. The dividend rate during the Final Term is 6.421% per annum and dividends are paid quarterly. The Final Term calls for 5% annual sinking fund payments beginning on September 1, 1999, is non-callable for 10 years, and shall end on September 1, 2018.

The Company expects capital expenditures for 1994 to be approximately \$53.0 million. Capital expenditures will be largely for improvements to the distribution system, for system expansion to meet customer demand and for productivity enhancement. The Company also expects to incur assessment and remediation costs of approximately \$1.0 million in 1994 associated with MGP sites. Such costs are recoverable in rates as discussed more fully in Note 12 of Notes to Consolidated Financial Statements.

On October 30, 1993, the Department granted the Company an annual revenue increase of \$37.7 million effective November 1, 1993.

In January 1994, the Company issued \$36.0 million of Medium-term Notes Series B, with a weighted average maturity of 24 years and coupon of 6.94% pursuant to a \$50.0 million shelf registration statement dated October 28, 1992 on file with the SEC.

The Company believes that projected cash flow from operations, in combination with currently available resources, is sufficient to meet 1994 capital expenditures and working capital requirements, normal debt repayments and dividends to shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information with respect to this item appears commencing on Page F-1 of this Report. Such information is incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

Not required.

ITEM 11. EXECUTIVE COMPENSATION.

Not required.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Not required.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Not required.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

Information with respect to these items appears on Page F-1 of this Report. Such information is incorporated herein by reference.

<TABLE>

(3) LIST OF EXHIBITS.

<S>	<C>
3.1	-- Restated Articles of Organization, as amended (Filed as Exhibit 3.1 to the registration statement of the Company on Form S-3 (File No. 33-48525)).*
3.2	-- By-Laws of the Company as amended (Filed as Exhibit 1 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1976 (File No. 2-23416)).*
4.1.	-- Indenture dated as of September 1, 1972 between the Company and State Street Bank and Trust Company, Trustee, including form of Debenture on pages 1-7 thereof (Filed as Exhibit 4.6 to the registration statement of the Company on Form S-1 (File No. 2-45350)).*
4.1.1	-- First Supplemental Indenture to Exhibit 4.1 dated as of April 1, 1974 between the Company and State Street Bank and Trust Company, Trustee (Filed as Exhibit 2.3.2 to the registration statement of the Company on Form S-7 (File No. 2-52522)).*
4.1.2	-- Third Supplemental Indenture to Exhibit 4.1 dated as of May 29, 1981 between the Company and State Street Bank and Trust Company, Trustee (Filed as Exhibit 4.1 to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 1981).*
4.1.3	-- Fifth Supplemental Indenture to Exhibit 4.1 dated as of May 1, 1986 between the Company and State Street Bank and Trust Company, Trustee (Filed as Exhibit 4.1 to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 1986).*
4.1.4	-- Sixth Supplemental Indenture to Exhibit 4.1 dated as of December 15, 1986 between the Company and State Street Bank and Trust Company, Trustee (Filed as Exhibit 4.1.4 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1986).*
4.2	-- Indenture of First Mortgage dated as of May 1, 1965 from the Company to The National Shawmut Bank of Boston, Trustee (Filed as Exhibit 4.1 to the registration statement of the Company on Form S-1 (File No. 2-36752)).*
4.2.1	-- First Supplemental Indenture to Exhibit 4.2 dated as of May 1, 1969 (Filed as Exhibit 4.2 to the registration statement of the Company on Form S-1 (File No. 2-36752)).*
4.2.2	-- Second Supplemental Indenture to Exhibit 4.2 dated as of April 1, 1970 (Filed as an exhibit to the current report of the Company on Form 8-K for the month of April 1970 (File No. 2-23416)).*
4.2.3	-- Third Supplemental Indenture to Exhibit 4.2 dated as of September 1, 1971 (Filed as an exhibit to the current report of the Company on Form 8-K for the month of September 1971 (File No. 2-23416)).*
4.2.4	-- Fourth Supplemental Indenture to Exhibit 4.2 dated as of April 1, 1972 (Filed as an exhibit to the current report of the Company on Form 8-K for the month of April 1972 (File No. 2-23416)).*
4.2.5	-- Fifth Supplemental Indenture to Exhibit 4.2 dated as of April 1, 1973 (Filed

as an exhibit to the current report of the Company on Form 8-K for the month of April 1973 (File No. 2-23416)).*

4.2.6 -- Sixth Supplemental Indenture to Exhibit 4.2 dated as of March 1, 1974 (Filed as an exhibit to the current report of the Company on Form 8-K for the month of March 1974 (File No. 2-23416)).*

4.3 -- Indenture dated as of December 1, 1989 between the Company and The Bank of New York, Trustee (Filed as Exhibit 4.2 to the registration statement of the Company on Form S-3 (File No. 33-31869)).*

</TABLE>

10

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<TABLE>

<S>

<C>

4.3.1 -- Agreement of Registration, Appointment and Acceptance by and among the Company, The Bank of New York as Resigning Trustee, and The First National Bank of Boston as Successor Trustee under Indenture dated as of November 2, 1992 (Filed as an exhibit to registration statement of the Company on Form S-3 (File No. 33-53858)).*

10.1 -- Gas Transportation Contract between Boston Gas Company and Tennessee Gas Pipeline Company dated as of September 1, 1993 providing for transportation of approximately 94,000 dekatherms of natural gas per day (Filed herewith).

10.2 -- Gas Transportation Contract between Boston Gas Company and Texas Eastern Transmission Corporation dated December 30, 1993 providing for transportation of approximately 83,000 dekatherms of natural gas per day (Filed herewith).

10.3 -- Gas Transportation Contract between Boston Gas Company and Texas Eastern Transmission Corporation dated December 30, 1993 providing for transportation of approximately 30,000 dekatherms of natural gas per day (Filed herewith).

10.4 -- Gas Transportation Contract between Boston Gas Company and Algonquin Gas Transmission Company dated December 30, 1993 providing for transportation of approximately 48,000 dekatherms of natural gas per day (Filed herewith).

10.5 -- Gas Transportation Contract between Boston Gas Company and Algonquin Gas Transmission Company dated December 30, 1993 providing for transportation of approximately 97,000 dekatherms of natural gas per day (Filed herewith).

10.6 -- Gas Storage Agreement between the Company and Consolidated Gas Supply Corporation dated February 18, 1980 (Filed as Exhibit 20.3 to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 1982).*

10.7 -- Gas Storage Agreement between the Company and Honeoye Storage Corporation dated October 11, 1985 (Filed as Exhibit 10.17 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1985).*

10.8 -- Gas Storage Agreement between the Company and PennYork Energy Corporation dated as of December 21, 1984 (Filed as Exhibit 10.18 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1985).*

10.9 -- Gas Sales Contract between the Company and Esso Resources Canada, Limited, (now Imperial Oil of Canada, Ltd.) dated as of May 1, 1989 (Filed as Exhibit 10.12 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1989).*

10.9.1 -- Amendment to Exhibit 10.12 dated as of September 28, 1989 (Filed as Exhibit 10.12.1 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1989).*

10.10 -- Storage Service Agreement between the Company and Distrigas of Massachusetts Corporation dated as of December 17, 1988 (Filed as Exhibit 10.13 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1989).*

10.11 -- Liquid Purchase Agreement between the Company and Distrigas of Massachusetts Corporation dated as of April 14, 1989 (Filed as Exhibit 10.14 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1989).*

10.12 -- Gas Sales Agreement between the Company and Alberta Northeast Gas, Ltd. dated as of February 7, 1991 (Filed as Exhibit 10.16 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1990).*

10.13 -- Firm Gas Transportation Agreement between the Company and Iroquois Gas Transmission System, L.P. dated as of February 7, 1991 (Filed as Exhibit 10.17 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1990).*

10.14 -- Firm Gas Transportation Agreement between the Company and Tennessee Gas Pipeline Company dated as of February 7, 1991 (Filed as Exhibit 10.18 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1990).*

10.15 -- Lease Agreement between Industrial National Leasing Corporation, Lessor, and

</TABLE>

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<TABLE>	
<S> <C>	
10.16	-- Lease Supplement to Exhibit 10.12 between National Leasing Corporation and Massachusetts LNG Incorporated dated October 19, 1972 (Filed as Exhibit 5.23.1 to the registration statement of the Company on Form S-7 (File No. 2-52522)).*
10.17	-- Credit Agreement dated as of December 22, 1993 by and among the Company, Morgan Guaranty Trust Company of New York, National Westminster Bank PLC, Shawmut Bank, N.A. and The First National Bank of Boston (Filed herewith).
10.18	-- Sublease between the Company and Eastern Enterprises dated November 5, 1987 (Filed as Exhibit 10.20 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1987).*
22	-- Subsidiaries of the Company (Filed as Exhibit 22 to the Annual Report of the Company on Form 10-K for the year ended December 31, 1985).*
24	-- Consent of Independent Public Accountants.

There were no reports on Form 8-K filed in the Fourth Quarter of 1993.

<FN>
 * Not filed herewith. In accordance with Rule 12(b)(32) of the General Rules and Regulations under the Securities Exchange Act of 1934, reference is made to the document previously filed with the Commission.

</TABLE>

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

BOSTON GAS COMPANY
Registrant

By: J. F. BODANZA

 J. F. BODANZA
 SENIOR VICE PRESIDENT AND TREASURER
 (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

Dated:

<TABLE>
 PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON THE 16TH DAY OF MARCH 1994.

<CAPTION>

SIGNATURE -----	TITLE -----
<S> C. R. MESSER	<C> Director and President

C. R. Messer	
A. J. DIGIOVANNI	Director and Senior Vice President

A. J. DiGiovanni	
J. F. BODANZA	Director and Senior Vice President

J. F. Bodanza	and Treasurer (Principal Financial and Accounting Officer)

J. A. IVES	Director

J. A. Ives	
R. R. CLAYTON	Director

R. R. Clayton	
W. J. FLAHERTY	Director

W. J. Flaherty	

</TABLE>

<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES
(INFORMATION REQUIRED BY ITEMS 8 AND 14 (A) OF FORM 10-K)

<CAPTION>

	PAGE

<S>	<C>
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Consolidated Balance Sheets as of December 31, 1993 and 1992.....	F-2 and F-3
Consolidated Statements of Earnings for the Three Years Ended December 31, 1993.....	F-4
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VIII-- Valuation and Qualifying Accounts.....	F-22 to F-24
IX-- Short-term Borrowings.....	F-25
X-- Supplementary Earnings Statement Information.....	F-26

</TABLE>

Schedules other than those listed above have been omitted as the information has been included in the consolidated financial statements and related notes or is not applicable nor required.

Separate financial statements of the Company are omitted because the Company is primarily an operating company and its subsidiary is wholly-owned and is not indebted to any person in an amount that is in excess of 5% of total consolidated assets.

<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

ASSETS

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
Gas Plant, at cost.....	\$649,580	\$623,725

Construction work-in-progress.....	8,131	186
Less-Accumulated depreciation.....	195,284	182,550
	-----	-----
Net Plant.....	462,427	441,361
Current Assets:		
Cash and cash equivalents.....	1,160	5,300
Accounts receivable, less reserves of \$13,518 at December 31, 1993 and \$11,408 at December 31, 1992.....	89,096	73,256
Deferred gas costs.....	65,802	40,868
Natural gas and other inventories, at average cost.....	53,152	42,140
Materials and supplies, at average cost.....	5,019	5,650
Prepaid expenses.....	3,708	2,035
Income taxes.....	6,046	5,047
	-----	-----
Total Current Assets.....	223,983	174,296
Other Assets:		
Deferred post-retirement benefits cost.....	101,182	99,126
Deferred charges and other assets.....	46,848	23,872
	-----	-----
Total Other Assets.....	148,030	122,998
	-----	-----
Total Assets.....	\$834,440	\$738,655
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S INVESTMENT

<CAPTION>

	DECEMBER 31,	
	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
Capitalization:		
Stockholder's investment --		
Common stock, \$100 par value --		
Authorized and outstanding -- 514,184 shares at December 31, 1993 and 1992.....	\$ 51,418	\$ 51,418
Amounts in excess of par value.....	43,233	23,233
Retained earnings.....	95,680	86,653
	-----	-----
Total Common Stockholder's Investment.....	190,331	161,304
Variable term cumulative preferred stock, \$1 par value, (liquidation preference, \$25 per share) 1,200,000 shares authorized and		
outstanding.....	29,197	29,436
Long-term obligations, less current portion.....	171,345	193,510
	-----	-----
Total Capitalization.....	390,873	384,250
Gas inventory financing.....	59,297	48,631
	-----	-----
Total Capitalization and Gas Inventory Financing.....	450,170	432,881
Current Liabilities:		
Current portion of long-term obligations.....	2,165	1,712
Notes payable.....	106,300	53,332
Accounts payable.....	52,773	52,971
Accrued taxes.....	161	297
Accrued interest.....	3,004	3,321
Customer deposits.....	2,597	2,959
Refunds due customers.....	8,029	13,061
Pipeline transition costs.....	24,174	--

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Balance at Beginning of Year.....	\$ 86,653	\$ 67,063	\$ 59,726
Net earnings.....	19,414	27,708	15,487
Preferred stock dividends (\$1.16 per share in 1993 and \$.34 per share in 1992).....	(1,389)	(405)	--
Cash dividends on common stock (\$17.50 per share in 1993, \$15.00 per share in 1992 and \$15.85 per share in 1991).....	(8,998)	(7,713)	(8,150)
	-----	-----	-----
Balance at End of Year.....	\$ 95,680	\$ 86,653	\$ 67,063
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings.....	\$ 19,414	\$ 27,708	\$ 15,487
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization.....	27,566	22,493	18,685
Deferred taxes.....	8,837	(2,997)	4,104
Other changes in assets and liabilities:			
Accounts receivable.....	(15,840)	(11,962)	2,135
Inventory.....	(10,381)	(15,430)	1,127
Deferred gas costs.....	(24,933)	(26,994)	2,792
Deferred post-retirement benefits.....	312	(5,000)	(5,400)
Accounts payable.....	(198)	4,334	2,105
Accrued interest.....	(317)	271	615
Federal and state income taxes.....	(998)	9,083	234
Refunds due customers.....	(5,032)	1,263	(2,107)
Other.....	(3,844)	3,867	(2,095)
	-----	-----	-----
Cash (used for) provided by operating activities.....	(5,414)	6,636	37,682
	-----	-----	-----
Cash flows used for investing activities:			
Capital expenditures.....	(47,057)	(51,136)	(57,400)
Net cost of removal.....	(4,328)	(8,096)	(3,530)
	-----	-----	-----
Cash used for investing activities.....	(51,385)	(59,232)	(60,930)
	-----	-----	-----
Cash flows from financing activities:			
Capital contribution from parent.....	20,000	--	--
Changes in notes payable, net.....	52,968	(307)	13,104
Changes in inventory financing.....	10,666	17,461	(4,021)
Proceeds from issuance of long-term debt.....	--	28,000	25,000
Repayment of long-term debt.....	(20,480)	(10,030)	(1,466)
Proceeds from issuance of preferred stock.....	(240)	29,436	--
Cash dividends paid on common and preferred stock.....	(10,255)	(8,089)	(8,150)

Cash provided by financing activities.....	52,659	56,471	24,467
Increase (decrease) in cash and cash equivalents(1).....	(4,140)	3,875	1,219
Cash and cash equivalents at beginning of year.....	5,300	1,425	206
Cash and cash equivalents at end of year.....	\$ 1,160	\$ 5,300	\$ 1,425
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized.....	\$ 18,559	\$ 17,461	\$ 14,661
Income taxes.....	\$ 7,813	\$ 6,372	\$ 4,246

<FN>

(1) For the purposes of this statement of cash flows, the Company considers highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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BOSTON GAS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ACCOUNTING POLICIES

The significant accounting policies followed by the Company and its subsidiary are described below and in the following footnotes:

Note 2--Cost of Gas Adjustment Clause and Deferred Gas Costs
Note 3--Income Taxes
Note 6--Pension Benefits
Note 7--Post-Retirement Benefits Other Than Pensions
Note 8--Leases

Principles of Consolidation

The Company is a wholly-owned subsidiary of Eastern Enterprises ("Eastern"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Massachusetts LNG Incorporated ("Mass LNG"). All material intercompany balances and transactions between the Company and its subsidiary have been eliminated in consolidation.

Depreciation

Depreciation is provided at rates designed to amortize the cost of depreciable property, plant and equipment over their estimated remaining useful lives. The composite depreciation rate, expressed as a percentage of the average depreciable property in service, was 3.98% in 1993, 3.80% in 1992 and 3.79% in 1991.

Accumulated depreciation is charged with the original cost and cost of removal, less salvage value, of units retired. Expenditures for repairs, upkeep of units of property and renewal of minor items of property replaced independently of the unit of which they are a part are charged to maintenance expense as incurred.

Gas Operating Revenues

Gas operating revenues are recorded when billed. Revenue is not recorded for the amount of gas distributed to customers which is unbilled at the end of the period; however, the cost of this gas is deferred as discussed in Note 2.

(2) COST OF GAS ADJUSTMENT CLAUSE AND DEFERRED GAS COSTS

The cost of gas adjustment clause requires the Company to adjust its rates semiannually for firm gas sales in order to track changes in the cost of gas distributed with an annual adjustment of subsequent rates for any collection over or under actual costs incurred. As a result, the Company defers the cost of any firm gas that has been distributed, but is unbilled at the end of a period, to a period in which the gas is billed to customers. The cost of gas adjustment clause also recovers the amortization of all environmental response costs associated with former manufactured gas plant ("MGP") sites and costs related to the Company's various conservation and load management programs.

In May of 1992, the Company modified the cost of gas adjustment clause shifting a portion of pipeline gas costs from the non-heating to the heating season in order to more closely match revenues with the related costs.

(3) INCOME TAXES

The Company is a member of an affiliated group of companies which files a consolidated federal income tax return. The Company follows the policy, established for the group, of providing for income taxes which would be payable on a separate company basis. The Company's effective income tax rate was 38.4% in 1993,

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) INCOME TAXES (CONTINUED)

39.4% in 1992 and 36.2% in 1991. State taxes represent the majority, or 4.3%, 4.6% and 4.8% of the difference between the effective rate and the Federal income tax rate for 1993, 1992 and 1991, respectively.

<TABLE>

A summary of the provision for income taxes for the three years ended December 31 is as follows:

<CAPTION>

	1993 ----	1992 ----	1991 ----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Current--			
Federal.....	\$ 4,063	\$ 12,128	\$4,471
State.....	771	2,410	1,127
	4,834	14,538	5,598
	-----	-----	-----
Deferred--			
Federal.....	5,951	2,711	2,526
State.....	1,320	746	646
	7,271	3,457	3,172
	-----	-----	-----
	\$ 12,105	\$ 17,995	\$8,770
	=====	=====	=====

</TABLE>

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 requires adjustment of deferred tax assets and liabilities to reflect the future tax consequences, at currently enacted rates, of items already reflected in the financial statements. A regulatory asset of \$1,880,000 was established for the recovery of prepaid taxes established at the higher federal tax rates in effect prior to 1988. In its most recent rate request proceeding, the Company received permission to recover this amount over three years. A regulatory liability of \$6,144,000 was established for the tax benefit of unamortized investment tax credits, which SFAS 109 requires to be treated as a temporary difference. This benefit will be passed on to customers over the lives of property giving rise to the investment credits, consistent with the 1986 Tax Reform Act. About 38% of each of these items reflect a "gross-up" for taxes as SFAS 109 eliminated net-of tax accounting for regulatory assets and liabilities. The regulatory liability for excess deferred taxes being returned to customers over a 30 year period pursuant to a 1988 rate order was similarly increased by

\$4,445,000 upon the adoption of SFAS 109.

The Revenue Reconciliation Act of 1993, enacted on August 10, 1993, increased the statutory Federal income tax rate from 34% to 35%, retroactive to January 1, 1993. The provision for income taxes in 1993 includes approximately \$300,000 for the impact of the rate change on current earnings. The effect of the rate change on deferred tax requirements at January 1, 1993 is reflected in the regulatory asset and liability established at the adoption of SFAS 109.

<TABLE>

For income tax purposes, the Company uses accelerated depreciation and shorter depreciation lives permitted by the Internal Revenue Service. Deferred federal and state taxes are provided for the tax effects of all temporary differences between financial reporting and taxable income. Significant items making up deferred tax liabilities and deferred tax assets at December 31, 1993 and 1992, are as follows:

<CAPTION>

	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS:		
Unbilled revenues.....	\$ 30,924	\$ 21,878
Regulatory liabilities.....	5,494	6,797
Reserve for uncollectible receivables.....	5,302	4,368
Other.....	6,765	6,697
	-----	-----
Total deferred tax assets.....	\$ 48,485	\$ 39,740
	-----	-----

</TABLE>

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<TABLE>

BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

<CAPTION>

	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
(3) INCOME TAXES (CONTINUED)		
LIABILITIES:		
Accelerated depreciation.....	\$ 69,558	\$ 61,546
Deferred gas costs.....	23,861	15,526
Other.....	13,967	11,059
	-----	-----
Total deferred tax liabilities.....	\$ 107,386	\$ 88,131
	-----	-----
Total net deferred taxes.....	\$ 58,901	\$ 48,391
	=====	=====

</TABLE>

During 1991, deferred income taxes were provided for significant timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The principal component of the 1991 deferred provision was \$2,308,000 for accelerated depreciation, partially offset by a credit of \$1,021,000 for deferred gas costs.

Investment tax credits are deferred and credited to income over the lives of the property giving rise to such credits. The credit to income was approximately \$689,000 in 1993, \$673,000 in 1992 and \$692,000 in 1991.

(4) COMMITMENTS

Long-term Obligations

<TABLE>

The following table provides information on long-term obligations, less the

current portion, as of December 31, 1993 and 1992, respectively.

<CAPTION>

	DECEMBER 31,	
	1993	1992
	(IN THOUSANDS)	
<S>	<C>	<C>
First Mortgage Bonds--		
8.375% Series, due 1996.....	\$ 2,880	\$ 3,360
Debentures--		
7.95% Series, due 1997.....	2,775	3,142
8.75% Series, due 2001.....	30,000	30,000
9.00% Series, due 2001.....	30,000	50,000
Medium-Term Notes--		
8.87% Series due 2005.....	15,000	15,000
9.68% Series due 2010.....	10,000	10,000
8.95% Series due 2011.....	10,000	10,000
8.97% Series due 2019.....	7,000	7,000
9.75% Series due 2020.....	5,000	5,000
9.00% Series due 2011.....	10,000	10,000
9.05% Series due 2021.....	15,000	15,000
8.33% Series due 2017.....	8,000	8,000
8.33% Series due 2018.....	10,000	10,000
8.33% Series due 2022.....	10,000	10,000
Capital Lease Obligations (Note 8).....	5,690	7,008
	-----	-----
	\$171,345	\$193,510
	=====	=====

</TABLE>

The First Mortgage Bonds are secured by a first mortgage lien on a portion of the Company's utility properties and franchises. The annual sinking fund requirement for the 8.375% First Mortgage Bonds is \$480,000.

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) COMMITMENTS (CONTINUED)

The 7.95% Sinking Fund Debentures have an annual sinking fund requirement of \$425,000. The 9.0% and 8.75% Sinking Fund Debentures require annual sinking fund payments of \$5,000,000 and \$3,000,000, respectively, beginning in 1997.

On October 28, 1992, the Company filed a Shelf registration covering the issuance of up to \$50,000,000 of additional Medium-Term Notes through December 31, 1994 for the financing of capital expenditures and the payment of related obligations. In January 1994 the Company issued \$36,000,000 of Medium-Term Notes with maturities of 20 - 30 years and an average weighted interest rate of 6.94%.

<TABLE>

The aggregate consolidated annual sinking fund requirements, less amounts acquired in advance, and current maturities of long-term debt (excluding capital leases) for the next five years are as follows:

<CAPTION>

	YEAR	AMOUNT
	----	-----
	(IN THOUSANDS)	
<S>		<C>
1994.....		847
1995.....		905
1996.....		2,825
1997.....		9,925
1998.....		8,000

</TABLE>

The terms of the various indentures referred to above, as supplemented, provide that dividends may not be paid on common stock of the Company under certain conditions. At December 31, 1993 there were no restrictions on retained

earnings available for payment of dividends.

Gas Inventory Financing

Under the terms of the general rate order issued by the Department of Public Utilities (the Department) effective October 1, 1988, the Company funds all of its inventory of gas supplies through external sources. All costs related to this funding are recoverable from its customers. The Company maintains a credit agreement with a group of banks which provides for the borrowing of up to \$90,000,000 for the exclusive purpose of funding its inventory of gas supplies or for backing commercial paper issued for the same purpose. The Company had \$59,297,000 and \$48,631,000 of commercial paper outstanding at December 31, 1993 and 1992, respectively, for this purpose. Since the commercial paper is supported by the credit agreement, these borrowings have been classified as non-current in the accompanying consolidated balance sheets. The credit agreement includes a 364 day revolving credit which may be converted to a two-year term loan at the Company's option if the 364 day revolving credit is not renewed by the banks. The Company may select interest rate alternatives based on prime or Eurodollar rates. No borrowings were outstanding under this agreement at December 31, 1993 and no borrowings were outstanding under the prior \$60,000,000 credit agreement at December 31, 1992.

Notes Payable

The Company maintains four committed lines of credit totaling \$40,000,000 which provide for interest at either prime rate or money market rates. The Company pays facility fees related to these lines of credit. In addition, the Company has various uncommitted lines of credit which provide for interest at the federal funds, money market or prime rates. These lines of credit are used for short-term borrowings. The Company had outstanding borrowings of \$106,300,000 and \$53,332,000 in commercial paper and bank loans not related to gas inventory financing at December 31, 1993 and 1992, respectively.

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BOSTON GAS COMPANY AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) COMMITMENTS (CONTINUED) Eastern Borrowing Arrangement

Eastern has a credit agreement with a group of banks which provides for the borrowing by Eastern and its subsidiaries of up to \$60,000,000 (of which the Company may borrow up to \$35,000,000) at any time through December 31, 1994, with borrowings thereunder maturing not later than December 31, 1995. The interest rate for such borrowings is the agent bank's prime rate, or at Eastern's option, 1/4 of 1% over the agent bank's Eurodollar rate or 3/8 of 1% over the agent bank's certificate of deposit rate. Eastern has the option until December 31, 1994 to convert up to \$25,000,000 of the total commitment to a five-year term loan arrangement with the same interest rate provisions through 1994 and thereafter with interest of 1/8 of 1% over the agent bank's prime rate or 5/8 of 1% over the agent bank's Eurodollar rate or 7/8 of 1% over the agent bank's certificate of deposit rate. The credit agreement provides, among other things, for a commitment fee of 1/4 of 1% on the first \$50,000,000 unused portion of the commitment and 3/16 of 1% on the unborrowed portion of the commitment greater than \$50,000,000.

Eastern also has a \$10,000,000 line of credit under which the Company is entitled to borrow which provides for interest at the prime rate, or at Eastern's option, rates tied to Eurodollar, certificate of deposit or money market quotes.

(5) VARIABLE TERM CUMULATIVE PREFERRED STOCK

On July 13, 1993, the Company selected a Final Term which is a Mandatory Redemption Term with respect to its Variable Term Cumulative Preferred Stock, Series A. The dividend rate during the Final Term is 6.421% per annum and dividends are paid quarterly. The Final Term calls for 5% annual sinking fund payments beginning on September 1, 1999, is non-callable for 10 years, and shall end on September 1, 2018.

(6) PENSION BENEFITS

The Company, through retirement plans under collective bargaining agreements and participation in Eastern's pension plans, provides retirement benefits for substantially all of its employees. The benefits under these plans are based on stated amounts for years of service or employee's average compensation during the five years prior to retirement. The Company follows a policy of funding retirement and employee benefit plans in accordance with the requirements of the plans and agreements in sufficient amounts to satisfy the "Minimum Funding Standards" of the Employee Retirement Income Security Act of 1974 ("ERISA").

<TABLE>

Net pension cost included the following components:

<CAPTION>

	1993 ----	1992 ----	1991 ----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Service cost-benefits earned during the year.....	\$ 2,331	\$2,072	\$ 2,043
Interest cost on projected benefit obligation.....	7,304	6,735	6,427
Actual return on plan assets.....	(15,984)	(9,491)	(20,122)
Net amortization and deferral.....	7,105	1,666	13,665
	-----	-----	-----
Net pension cost.....	\$ 756	\$ 982	\$ 2,013
	=====	=====	=====

</TABLE>

The expected long-term rate of return on assets was 8.5% in 1993 and 1992 and 7.5% in 1991. The discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% for 1993 as well as for prior years. The rate of increase in future compensation levels was 5.0%.

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) PENSION BENEFITS (CONTINUED)

<TABLE>

The following table sets forth the funded status of pension plans and amounts recognized in the Company's consolidated balance sheets based on a measurement date as of October 1, 1993 and 1992.

<CAPTION>

	1993 ----	1992 ----
	(IN THOUSANDS)	
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$83,759 in 1993 and \$78,381 in 1992.....	\$ 92,226	\$ 85,735
	=====	=====
Projected benefit obligation for service rendered to date.....	\$(103,154)	\$(96,355)
Plan assets at fair value, primarily listed stocks, corporate bonds and U.S. bonds.....	114,711	110,085
	-----	-----
Plan assets in excess of projected benefit obligation.....	11,557	13,730
Unrecognized net obligation at January 1, 1986 being recognized over 15 years.....	1,522	1,738
Unrecognized net gain.....	(18,164)	(12,215)
Unrecognized prior service cost.....	15,096	7,014
	-----	-----
Net pension asset.....	\$ 10,011	\$ 10,267
	=====	=====

</TABLE>

(7) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Company, through

participation in Eastern administered plans and welfare plans under collective bargaining agreements, provides certain health care and life insurance benefits for retired employees.

Effective January 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Post-Retirement Benefits Other Than Pensions," by immediately recognizing the cumulative effect of the accounting change. SFAS 106 requires that the expected cost of post-retirement benefits other than pensions be charged to expense during the period that the employee renders service. As of the date of adoption, the cumulative effect of the accounting change ("transition obligation") was, \$89,120,000. With approval by the Department, the Company has deferred the cost of the transition obligation and the amount by which expense under SFAS 106 exceeds amounts currently included in rates. The 1993 rate order allows the Company to phase in incremental costs associated with SFAS 106 over a four-year period. Each year during the phase-in, the Company will file for an increase in rates to reflect an additional increment of SFAS 106 costs. The difference between the incremental annual amount allowed in rates during the phase-in period and the SFAS 106 costs will be deferred as a regulatory asset with carrying costs.

<TABLE>

Net post-retirement benefit cost included the following components:

<CAPTION>

	1993	1992	1991
	----	----	----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Service cost-benefits earned during the year.....	\$ 1,301	\$ 1,096	\$ 1,043
Interest cost on accumulated benefit obligation.....	7,021	7,824	7,518
Net amortization and deferral of actuarial gains and losses.....	(1,235)	239	--
Actual return on plan assets.....	(282)	(173)	--
	-----	-----	-----
Post-retirement benefit cost.....	6,805	8,986	8,561
Amount charged to regulatory asset.....	(2,368)	(4,876)	(5,130)
	-----	-----	-----
Net post-retirement benefit cost.....	\$ 4,437	\$ 4,110	\$ 3,431
	=====	=====	=====

</TABLE>

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Prior to the 1993 rate order, the Company recognized as expense and recovered through rates billed to customers the cost of post-retirement benefits on a claims paid basis. Such costs totalled \$4,437,000 in 1993, \$4,110,000 in 1992 and \$3,431,000 in 1991.

<TABLE>

The following table sets forth the funded status of the plans and amounts recognized in the Company's consolidated balance sheets based on a measurement date as of October 1, 1993 and October 1, 1992.

<CAPTION>

	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
Retirees.....	\$ (50,561)	\$ (61,418)
Other fully eligible participants.....	(7,943)	(11,981)
Other active participants.....	(13,523)	(26,373)
	-----	-----
	(72,027)	(99,772)
Plan assets at fair value.....	10,856	5,573
	-----	-----
Accumulated post-retirement benefits obligation in excess of plan assets.....	(61,171)	(94,199)

Unrecognized actuarial loss (gain).....	(15,997)	4,677
Unrecognized prior service costs.....	(14,787)	(5,065)
Amounts contributed to plans in the fourth quarter of 1992...	--	5,000
	-----	-----
Accrued post-retirement benefits.....	\$ (91,955)	\$ (89,587)
	=====	=====

</TABLE>

The Company established a 501(c) (9) Voluntary Employee Beneficiary Association ("VEBA") Trust in 1991 to begin funding its post-retirement benefit obligation for collectively bargained employees. The Company contributed \$5,000,000 in 1992 to the VEBA.

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.5% in 1993 and 1992. A 12% and 15% annual increase in the cost of covered health care benefits was assumed for 1993 and 1992, respectively. This rate of increase is assumed to drop gradually to 5% after 7 years. A 1% increase in the assumed health care cost trend would have increased the post-retirement benefit cost by \$489,000 and \$1,056,000 and the accumulated post-retirement benefit obligation by \$5,691,000 in 1993 and \$9,164,000 in 1992.

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employer's Accounting for Postemployment Benefits", which establishes standards of financial accounting and reporting for certain postemployment benefit obligations. The adoption of SFAS 112 is not expected to have a material effect on the Company's financial condition or results of operations. SFAS 112 is effective for fiscal years beginning after December 15, 1993.

(8) LEASES

The Company and its subsidiary lease certain facilities and equipment under long-term leases which expire on various dates through the year 2000. Total rentals charged to income under all lease agreements were approximately \$7,663,000 in 1993, \$6,939,000 in 1992 and \$6,417,000 in 1991.

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) LEASES (CONTINUED)

<TABLE>

The Company capitalizes its financing leases which include liquefied natural gas facilities and an operations center. A summary of property held under capital leases as of December 31, 1993 and 1992 is as follows:

<CAPTION>

	1993	1992
	----	----
	(IN THOUSANDS)	
<S>	<C>	<C>
LNG facilities.....	\$15,600	\$15,600
Buildings.....	6,000	6,000
	-----	-----
	21,600	21,600
Less--Accumulated depreciation.....	14,592	13,361
	-----	-----
	\$ 7,008	\$ 8,239
	=====	=====

</TABLE>

Under the terms of SFAS 71, the timing of expense recognition on capitalized leases should conform with regulatory rate treatment. The Company has included the rental payments on its financing leases in its cost of service for rate purposes. Therefore, the total depreciation and interest expense that was recorded on the leases was equal to the rental payments included in other operating and maintenance expense in the accompanying consolidated statements of income.

<TABLE>

The Company also has various operating lease agreements for office facilities and other equipment. The remaining minimum rental commitment for these and all other noncancellable leases, including the financing leases, at December 31, 1993 is as follows:

<CAPTION>

YEAR	CAPITAL LEASES	OPERATING LEASES
----	-----	-----
(IN THOUSANDS)		
<S>	<C>	<C>
1994.....	\$1,852	\$ 4,320
1995.....	1,853	4,126
1996.....	1,854	3,350
1997.....	1,269	1,622
1998.....	684	324
Later Years.....	1,430	--
	-----	-----
Total minimum lease payments.....	\$8,942	\$13,742
		=====
Less--Amount representing interest and executory costs.....	1,934	

Present value of minimum lease payments on capital leases.....	\$7,008	
	=====	

</TABLE>

(9) FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value disclosures for financial instruments:

Cash and Short-term Investments

The carrying amounts approximate fair value because of the short maturity of those instruments.

Short-term Debt

The carrying amounts of the Company's short-term debt, including notes payable and gas inventory financing, approximate their fair value.

Long-term Debt

The fair value of long-term debt is estimated based on currently quoted market prices for similar types of borrowing arrangements.

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Preferred Stock

The fair value of the preferred stock for 1993 is based on currently quoted market prices. For 1992 the carrying amount approximates fair value because of the frequency with which dividend rates were reset.

<TABLE>

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1993 are as follows:

<CAPTION>

	1993		1992	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Cash and short-term investments.....	\$ 1,160	\$ 1,160	\$ 5,300	\$ 5,300

Short-term debt.....	\$165,597	\$165,597	\$101,963	\$101,963
Long-term debt.....	\$173,510	\$197,114	\$195,222	\$208,436
Preferred stock.....	\$ 29,197	\$ 30,600	\$ 29,436	\$ 29,436

(10) SUPPLEMENTARY INFORMATION

The Company paid Eastern \$3,096,000 in 1993, \$2,707,000 in 1992 and \$2,520,000 in 1991 for various legal, tax and corporate services rendered.

(11) SIGNIFICANT CUSTOMER

Firm and non-firm sales to a single customer produced revenues totaling \$24,800,000 in 1993, \$13,900,000 in 1992 and \$18,500,000 in 1991, or 4.0%, 2.3% and 3.5% of total revenues in 1993, 1992 and 1991, respectively.

(12) ENVIRONMENTAL ISSUES

The Company is subject to local, state and federal environmental regulation of its operations and properties. The Company is working with the Massachusetts Department of Environmental Protection ("DEP") to determine the environmental impact, if any, of by-products associated with 13 former manufactured gas plant ("MGP") properties which the Company currently owns and for which the Company may be potentially responsible. The Company is currently assessing seven of these properties pursuant to applicable DEP procedures. The Company expects to spend approximately \$1 million in assessing these properties in 1994 and expects similar expenditures for site assessment for the next several years as other properties are investigated. Since the DEP has not yet approved a remediation plan for any Company site, the Company cannot reliably predict the potential liability associated with final remediation of any of these properties. Company experience to date indicates that assessment and remediation costs of at least \$18 million could be incurred over the next several years at these thirteen properties, subject to possible contribution or the assumption of responsibility by New England Electric System ("NEES") or one of its subsidiaries as discussed below.

Massachusetts Electric Company, a wholly-owned subsidiary of NEES, has assumed responsibility for remediating a fourteenth property currently owned by the Company (part of the site of gas manufacturing operations in Lynn, Massachusetts) pursuant to the decision of the Court of Appeals for the First Circuit in *The John S. Boyd, Inc., et al. v. Boston Gas Company, et al*, Civil Action No. 89-575-T (May 26, 1993). The First Circuit found that NEES and its subsidiaries, as the prior owners and operators of the Lynn MGP site, were responsible for remediating the site and that the Company did not assume any liability for environmental remediation when it acquired the property from NEES in 1973. Of the 13 other sites currently owned by the Company, 10 were acquired from NEES. Given substantial similarities between these acquisitions and that involved in *Boyd*, it is not probable that the Company will have any material exposure for environmental remediation at these 10 sites.

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BOSTON GAS COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) ENVIRONMENTAL ISSUES (CONTINUED)

There are 23 other former MGP sites within the Company's service territory which the Company does not currently own. The DEP has not issued a Notice of Responsibility to the Company for any of these 23 sites. At this time, there is substantial uncertainty as to whether the Company is responsible for remediating any of these sites either because the Company never owned the site, the Company does not have successor liability for contamination of the site by earlier operators, or site conditions do not require remediation by the Company.

By an order issued on May 25, 1990, the Department approved a settlement agreement which provides for the recovery through the cost of gas adjustment clause of all environmental response costs associated with former MGP sites over separate, seven-year amortization periods without a return on the unamortized balance. The settlement agreement also provides for no further investigation of the prudence of any Massachusetts gas utility's past MGP operations.

(13) PIPELINE TRANSITION COSTS

Pursuant to Federal Energy Regulatory Commission ("FERC") Order No. 636, pipelines will be allowed to recover prudently incurred transition costs, including (1) gas supply realignment costs or the costs of renegotiating existing gas supply contracts with producers; (2) unrecovered purchased gas adjustment costs or unrecovered gas costs at the time the pipelines ceased the merchant function; (3) stranded costs or the unrecovered costs of assets that cannot be assigned to customers of unbundled services; and (4) new facilities costs or the costs of new facilities required to physically implement the order.

The Company's obligation for transition costs is \$30.6 million and it has recorded this amount less actual billings at December 31, 1993 of \$6.3 million as a liability in the accompanying consolidated balance sheet. As pipelines continue to incur and file for recovery of transition costs, the Company's obligation may increase.

The Company's obligation to Tennessee for transition costs is \$12.0 million, based on filings by Tennessee at FERC. Payments to Tennessee for such costs commenced in October 1993. The Company's obligations to Texas Eastern and Algonquin for transition costs is \$18.6 million, based on filings by Texas Eastern and Algonquin at FERC. Payments to Texas Eastern and Algonquin began in July 1993.

The Department has allowed recovery of the Company's transition costs liability over a five-year period commencing in May 1994. Accordingly, the Company has recorded a regulatory asset equivalent to the liability established at December 31, 1993.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Boston Gas Company:

We have audited the accompanying consolidated balance sheets of Boston Gas Company (a Massachusetts Corporation and wholly-owned subsidiary of Eastern Enterprises) and subsidiary as of December 31, 1993 and 1992, and the related consolidated statements of earnings, retained earnings and cash flows for each of the three years in the period ended December 31, 1993. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Gas Company and subsidiary as of December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index to consolidated financial statements and schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts
February 4, 1994

BOSTON GAS COMPANY AND SUBSIDIARY

INTERIM FINANCIAL INFORMATION
FOR THE TWO YEARS ENDED DECEMBER 31, 1993 (UNAUDITED)

The following table summarizes the Company's reported quarterly information for the years ended December 31, 1993 and 1992:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
<S>	<C>	<C>	<C>	<C>
	(IN THOUSANDS)			
1993				
Operating revenues.....	\$258,226	\$128,567	\$66,606	\$160,895
Operating margin.....	95,282	49,209	29,047	65,653
Operating earnings (loss).....	27,357	4,446	(5,521)	10,675
Net earnings (loss) applicable to common stock.....	22,372	(182)	(9,891)	5,726
1992				
Operating revenues.....	\$250,701	\$122,093	\$70,707	\$150,829
Operating margin.....	101,119	49,210	29,295	57,009
Operating earnings (loss).....	32,900	7,568	(3,775)	8,432
Net earnings (loss) applicable to common stock.....	28,254	3,247	(8,203)	4,005

</TABLE>

The above amounts vary significantly due to the seasonality of the Company's business.

SCHEDULE V

BOSTON GAS COMPANY AND SUBSIDIARY

PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1993
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE, DECEMBER 31, 1992	ADDITIONS TO UTILITY PLANT, AT COST	SALES AND RETIREMENTS	TRANSFERS AND OTHER DEBITS (CREDITS)	BALANCE, DECEMBER 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
GAS UTILITY:					
Land and rights-of-way.....	\$ 4,223	\$ (161)	\$ --	\$ --	\$ 4,062
Structures.....	29,284	2,462	516	--	31,230
Street mains.....	253,110	13,104	565	--	265,649
Transportation equipment.....	4,761	126	152	--	4,735
Other equipment.....	293,835	21,499	10,952	--	304,382
Construction work-in-progress.....	186	7,945	--	--	8,131
Intangible plant.....	38,341	2,082	1,072	--	39,351
Miscellaneous property (not used in operations).....	171	--	--	--	171
Total utility property.....	\$623,911	\$47,057	\$13,257	\$ --	\$657,711

</TABLE>

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1993
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE, DECEMBER 31, 1992	ADDITIONS		DEDUCTIONS FROM RESERVES		BALANCE, DECEMBER 31, 1993
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	RETIREMENTS	OTHER	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL GAS UTILITY PROPERTY.....	\$182,550	\$28,255	\$1,232	\$12,426	\$4,327	\$195,284

</TABLE>

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SCHEDULE V

BOSTON GAS COMPANY AND SUBSIDIARY
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1992
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE, DECEMBER 31, 1991	ADDITIONS TO UTILITY PLANT, AT COST	SALES AND RETIREMENTS	TRANSFERS AND OTHER DEBITS (CREDITS)	BALANCE, DECEMBER 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
GAS UTILITY:					
Land and rights-of-way.....	\$ 3,920	\$ 303	\$ --	\$ --	\$ 4,223
Structures.....	23,412	6,065	193	--	29,284
Street mains.....	228,599	25,620	1,109	--	253,110
Transportation equipment.....	6,127	47	1,413	--	4,761
Other equipment.....	271,081	27,639	4,885	--	293,835
Construction					
work-in-progress.....	35,839	(35,653)	--	--	186
Intangible plant.....	11,191	27,150	--	--	38,341
Miscellaneous property (not used in operations).....	206	(35)	--	--	171
Total utility property.....	\$580,375	\$ 51,136	\$ 7,600	\$ --	\$623,911

</TABLE>

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1992
(IN THOUSANDS)

<TABLE>
<CAPTION>

BALANCE,	ADDITIONS		DEDUCTIONS FROM RESERVES	BALANCE,
	CHARGED	CHARGED		

CLASSIFICATION	DECEMBER 31, 1991	CHARGED TO INCOME	TO OTHER ACCOUNTS	RETIREMENTS	OTHER	DECEMBER 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL GAS UTILITY PROPERTY.....	\$173,927	\$23,166	\$1,345	\$ 7,600	\$8,288	\$182,550

</TABLE>

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SCHEDULE V

BOSTON GAS COMPANY AND SUBSIDIARY

PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1991
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE, DECEMBER 31, 1990	ADDITIONS TO UTILITY PLANT, AT COST	SALES AND RETIREMENTS	TRANSFERS AND OTHER DEBITS (CREDITS)	BALANCE, DECEMBER 31, 1991
<S>	<C>	<C>	<C>	<C>	<C>
GAS UTILITY:					
Land and rights-of-way.....	\$ 3,920	\$ --	\$--	\$ --	\$ 3,920
Structures.....	21,829	1,624	41	--	23,412
Street mains.....	210,689	18,890	980	--	228,599
Transportation equipment.....	8,286	155	2,314	--	6,127
Other equipment.....	251,344	26,436	6,699	--	271,081
Construction work-in-progress.....	25,993	9,846	--	--	35,839
Intangible plant.....	10,771	449	29	--	11,191
Miscellaneous property (not used in operations).....	206	--	--	--	206
Total utility property.....	\$533,038	\$57,400	\$10,063	\$ --	\$580,375

</TABLE>

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1991
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE, DECEMBER 31, 1990	ADDITIONS		DEDUCTIONS FROM RESERVES		BALANCE, DECEMBER 31, 1991
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	RETIREMENTS	OTHER	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL GAS UTILITY PROPERTY.....	\$167,012	\$19,378	\$1,173	\$10,063	\$3,573	\$173,927

</TABLE>

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SCHEDULE VIII

BOSTON GAS COMPANY AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1993
(IN THOUSANDS)

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE, DECEMBER 31, 1992	ADDITIONS		NET DEDUCTIONS FROM RESERVES	BALANCE, DECEMBER 31, 1993
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS		
<S>	<C>	<C>	<C>	<C>	<C>
RESERVES DEDUCTED FROM ASSETS:					
Reserves for doubtful accounts.....	\$ 11,408	\$13,127	\$ --	\$ 11,017	\$ 13,518
RESERVES NOT DEDUCTED FROM ASSETS:					
Accumulated deferred income taxes.....	\$ 52,724	\$ 7,532	\$ 3,057	\$ 1,752	\$ 61,561
Deferred investment tax credits.....	\$ 10,116	\$ --	\$ --	\$ 689	\$ 9,427
Post-retirement benefit cost.....	\$ 89,587	\$ --	\$ 6,805	\$ 4,437	\$ 91,955
Other reserves and deferred credit--					
Reserve for self-insurance.....	2,354	1,124	--	1,208	2,270
FAS 109 Regulatory Liability.....	6,144	(440)	--	192	5,512
Deferred net normalization surplus.....	11,340	(422)	--	2,424	8,494
Other.....	5,856	4,530	4,443	8,981	5,848
Total other reserves and deferred credits.....	25,694	4,792	4,443	12,805	22,124
Total reserves not deducted from assets.....	\$178,121	\$12,324	\$ 14,305	\$ 19,683	\$185,067

</TABLE>

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SCHEDULE VIII

BOSTON GAS COMPANY AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1992
(IN THOUSANDS)

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE, DECEMBER 31, 1991	ADDITIONS		NET DEDUCTIONS FROM RESERVES	BALANCE, DECEMBER 31, 1992
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS		
<S>	<C>	<C>	<C>	<C>	<C>
RESERVES DEDUCTED FROM ASSETS:					
Reserves for doubtful accounts.....	\$ 10,020	\$12,444	\$ --	\$ 11,056	\$ 11,408
RESERVES NOT DEDUCTED FROM ASSETS:					
Accumulated deferred income taxes.....	\$ 55,721	\$ (2,997)	\$ --	\$ --	\$ 52,724
Deferred investment tax credits.....	\$ 10,789	\$ --	\$ --	\$ 673	\$ 10,116
Post-retirement benefit cost.....	\$ 89,711	\$ --	\$ 8,986	\$ 9,110	\$ 89,587

Other reserves and deferred credits--					
Reserve for self-insurance.....	3,199	1,732	--	2,577	2,354
FAS 109 Regulatory Liability.....	--	--	6,144	--	6,144
Deferred net normalization surplus.....	7,164	--	4,445	269	11,340
Other.....	5,581	9,355	--	9,080	5,856
Total other reserves and deferred credits.....	15,944	11,087	10,589	11,926	25,694
Total reserves not deducted from assets.....	\$172,165	\$ 8,090	\$ 19,575	\$ 21,709	\$178,121

</TABLE>

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SCHEDULE VIII

BOSTON GAS COMPANY AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1991
(IN THOUSANDS)

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE, DECEMBER 31, 1990	ADDITIONS		NET DEDUCTIONS FROM RESERVES	BALANCE, DECEMBER 31, 1991
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS		
<S>	<C>	<C>	<C>	<C>	<C>
RESERVES DEDUCTED FROM ASSETS:					
Reserves for doubtful accounts.....	\$ 6,263	\$14,072	\$ --	\$ 10,315	\$ 10,020
RESERVES NOT DEDUCTED FROM ASSETS:					
Accumulated deferred income taxes.....	\$ 51,348	\$ 4,373	\$ --	\$ --	\$ 55,721
Deferred investment tax credits.....	\$ 11,481	\$ --	\$ --	\$ 692	\$ 10,789
Post-retirement benefit cost.....	\$ 1,031 (1)	\$ (156)	\$ 94,250	\$ 5,414	\$ 89,711
Other reserves and deferred credits--					
Reserve for self-insurance.....	3,815 (1)	1,037	--	\$ 1,653	\$ 3,199
FAS 87 minimum liability.....	9,423	--	(9,423)	--	--
Deferred net normalization surplus.....	7,433	--	--	269	7,164
Other.....	7,875	5,623	4,522	12,439	5,581
Total other reserves and deferred credits.....	28,546	6,660	(4,901)	14,361	15,944
Total reserves not deducted from assets.....	\$ 92,406	\$10,877	\$ 89,349	\$ 20,467	\$172,165

</TABLE>

(1) Reclassified from other accounts

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SCHEDULE IX

BOSTON GAS COMPANY AND SUBSIDIARY

SHORT-TERM BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(IN THOUSANDS)

<TABLE>
<CAPTION>

YEAR	CATEGORY	BALANCE, END OF YEAR	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING YEAR	AVERAGE AMOUNT OUTSTANDING DURING YEAR (A)	WEIGHTED AVERAGE INTEREST RATE DURING YEAR (B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1991.....	Notes Payable	\$ 53,639	5.3%	\$ 55,050	\$ 25,291	6.6%
1992.....	Notes Payable	\$ 53,332	4.0%	\$ 70,750	\$ 32,983	4.3%
1993.....	Notes Payable	\$ 106,300	3.5%	\$108,100	\$ 55,022	3.4%

</TABLE>

- - - - -

(A) Average daily balances.

(B) Actual interest incurred divided by average amount outstanding during the year.

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SCHEDULE X

BOSTON GAS COMPANY AND SUBSIDIARY

SUPPLEMENTARY EARNINGS STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Maintenance and repairs.....	\$27,091	\$19,538	\$17,612
Taxes, other than payroll and income:			
Local property.....	8,837	4,865	4,309
Other.....	186	236	162

</TABLE>

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GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

THIS AGREEMENT is made and entered into as of the 1st day of September, 1993, by and between TENNESSEE GAS PIPELINE COMPANY, a Delaware Corporation, hereinafter referred to as "Transporter, and BOSTON GAS CO, a MASSACHUSETTS Corporation, hereinafter referred to as "Shipper." Transporter and Shipper shall collectively be referred to herein as the "Parties."

ARTICLE I

DEFINITIONS

- 1.1 TRANSPORTATION QUANTITY - shall mean the maximum daily quantity of gas which Transporter agrees to receive and transport on a firm basis, subject to Article II herein, for the account of Shipper hereunder on each day during each year during the term hereof which shall be 94,312 dekatherms. Any limitations of the quantities to be received from each Point of Receipt and/or delivered to each Point of Delivery shall be as specified on Exhibit A attached hereto.
- 1.2 EQUIVALENT QUANTITY - shall be as defined in Article I of the General Terms and Conditions of Transporter's FERC Gas Tariff.

ARTICLE II

TRANSPORTATION

TRANSPORTATION SERVICE - Transporter agrees to accept and receive daily on a firm basis, at the Point(s) of Receipt from Shipper or for Shipper's account such quantity of gas as Shipper makes available up to the Transportation Quantity, and to deliver to or for the account of Shipper to the Point(s) of Delivery an Equivalent Quantity of gas.

ARTICLE III

POINT(S) OF RECEIPT AND DELIVERY

The Primary Point(s) of Receipt and Delivery shall be those points specified on Exhibit A attached hereto.

ARTICLE IV

All facilities are in place to render the service provided for in this Agreement.

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GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

ARTICLE V

QUALITY SPECIFICATIONS AND STANDARDS FOR MEASUREMENT

For all gas received, transported and delivered hereunder the parties agree to the Quality Specifications and Standards for Measurement as specified in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1. To the extent that no new measurement facilities are installed to provide service hereunder, measurement operations will continue in the manner in which they have previously been handled. In the event that such facilities are not operated by Transporter then responsibility for operations shall be deemed to be Shipper's.

ARTICLE VI

RATES AND CHARGES FOR GAS TRANSPORTATION

- 6.1 TRANSPORTATION RATES - Commencing upon the date of execution, the rates, charges, and surcharges to be paid by Shipper to Transporter for the transportation service provided herein shall be in accordance with Transporter's Rate Schedule FT-A and the General Terms and Conditions of Transporter's FERC Gas Tariff.
- 6.2 INCIDENTAL CHARGES - Shipper agrees to reimburse Transporter for any filing or similar fees, which have not been previously paid for by Shipper, which Transporter incurs in rendering service hereunder.
- 6.3 CHANGES IN RATES AND CHARGES - Shipper agrees that Transporter shall have the unilateral right to file with the appropriate regulatory authority and make effective changes in (a) the rates and charges applicable to service pursuant to Transporter's Rate Schedule FT-A, (b) the rate schedule(s) pursuant to which service hereunder is rendered, or (c) any provision of the General Terms and Conditions applicable to those rate schedules. Transporter agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Transporter's existing FERC Gas Tariff as may be found necessary to assure Transporter's just and reasonable rates.

ARTICLE VII

BILLINGS AND PAYMENTS

Transporter shall bill and Shipper shall pay all rates and charges in accordance with Articles V and VI, respectively, of the General Terms and Conditions of Transporter's FERC Gas Tariff.

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SERVICE PACKAGE NO. 2062
AMENDMENT NO. 0

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

ARTICLE VIII GENERAL TERMS AND CONDITIONS

This Agreement shall be subject to the effective provisions of Transporter's Rate Schedule FT-A and to the General Terms and Conditions incorporated therein, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC.

ARTICLE IX

REGULATION

- 9.1 This Agreement shall be subject to all applicable and lawful governmental statutes, orders, rules and regulations and is contingent upon the receipt and continuation of all necessary regulatory approvals or authorizations upon terms acceptable to Transporter. This Agreement shall be void and of no force and effect if any necessary regulatory approval is not so obtained or continued. All parties hereto shall cooperate to obtain or continue all necessary approvals or authorizations, but no party shall be liable to any other party for failure to obtain or continue such approvals or authorizations.
- 9.2 The transportation service described herein shall be provided subject to Part 284, Subpart G of the FERC Regulations.

ARTICLE X

RESPONSIBILITY DURING TRANSPORTATION

Except as herein specified the responsibility for gas during transportation shall be as stated in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1.

ARTICLE XI

WARRANTIES

- 11.1 In addition to the warranties set forth in Article IX of the General Terms and Conditions of Transporter's FERC Gas Tariff, Shipper warrants the following:
- (a) Shipper warrants that all upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto. Shipper agrees to indemnify and hold Transporter harmless for refusal to transport gas hereunder in the

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SERVICE PACKAGE NO. 2062
AMENDMENT NO. 0

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.

- (b) Shipper agrees to indemnify and hold Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses (including reasonable attorneys fees) arising from or out of breach of any warranty, express or implied, by Shipper herein.
- 11.2 Transporter shall not be obligated to provide or continue service hereunder in the event of any breach of warranty.

ARTICLE XII

TERM

- 12.1 This contract shall be effective as of the 1st day of September, 1993, and shall remain in force and effect until the 1st day of November, 2000, ("Primary Term,) and on a month to month basis thereafter unless terminated by either Party upon at least thirty (30) days prior written notice to the other Party; provided, however, that if the Primary Term is one year or more, then unless Shipper elects upon one year's prior written notice to Transporter to request a lesser extension term, the Agreement shall automatically extend upon the expiration of the primary term for a term of five years; and shall automatically extend for successive five year terms thereafter unless shipper provides notice described above in advance of the expiration of a succeeding term; provided further, if the FERC or other governmental body having jurisdiction over the service rendered pursuant to this Agreement authorizes abandonment of such service, this Agreement shall terminate on the abandonment date permitted by the FERC or such other governmental body.
- 12.2 Any portions of this Agreement necessary to resolve or cash-out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1, shall survive the other parts of this Agreement until such time as such balancing has been accomplished.
- 12.3 This Agreement will terminate upon notice from Transporter in the event Shipper fails to pay all of the amount of any bill for service rendered by Transporter hereunder in accord with the terms and conditions of Article VI of the General Terms and Conditions of Transporter's FERC Tariff.

ARTICLE XIII

NOTICE

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall

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SERVICE PACKAGE NO. 2062
AMENDMENT NO. 0

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

be in writing and mailed to the post office address of the party intended to receive the same, as follows:

TRANSPORTER: Tennessee Gas Pipeline Company
P.O. Box 2511
Houston, Texas 77252-2511
Attention: Transportation Marketing

SHIPPER:

NOTICES: BOSTON GAS CO
ONE BEACON STREET
34TH FLOOR
BOSTON, MA 02108
Attention: BILL YARDLEY

BILLING: BOSTON GAS CO
ONE BEACON STREET
34TH FLOOR
BOSTON, MA 02108
Attention: DON TULCHINSKY

or to such other address as either Party shall designate by formal written notice to the other.

ARTICLE XIV

ASSIGNMENTS

- 14.1 Either Party may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture, or other instrument which it has executed or may execute hereafter as security for indebtedness. Either Party may, without relieving itself of its obligation under this Agreement, assign any of its rights hereunder to a company with which it is affiliated, otherwise, Shipper shall not assign this Agreement or any of its rights hereunder, except in accord with Article III, Section 11 of the General Terms and Conditions of Transporter's FERC Gas Tariff.
- 14.2 Any person which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of either Party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.

ARTICLE XV

MISCELLANEOUS

- 15.1 The interpretation and performance of this contract shall be in accordance with and controlled by the laws of the State

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SERVICE PACKAGE NO. 2062
AMENDMENT NO. 0

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

of Texas, without regard to the doctrines governing choice of law.

- 15.2 If any provisions of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at either party's option; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.
- 15.3 Unless otherwise expressly provided in this Agreement or

Transporter's Gas Tariff, no modification of or supplement to the terms and provisions stated in this agreement shall be or become effective, except by the execution of by both Parties of a written amendment.

15.4 Exhibit A attached hereto is incorporated herein by reference and made a part hereof for all purposes.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in several counterparts as of the date first hereinabove written.

TENNESSEE GAS PIPELINE COMPANY

BY: _____
Byron S. Wright
Agent and Attorney-in-Fact

BOSTON GAS CO

BY: _____

TITLE: _____

DATE: _____

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<TABLE>

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

EXHIBIT "A"
TO GAS TRANSPORTATION AGREEMENT
DATED September 1st, 1993
BETWEEN
TENNESSEE GAS PIPELINE COMPANY
AND
BOSTON GAS COMPANY

SERVICE PACKAGE: 2062

SERVICE PACKAGE TQ: 94,312

AMENDMENT EFFECTVVE DATE: September 1st, 1993

<CAPTION>										
METER	AMD	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	METER-TQ	MINIMUM PRESSURE
<C>	<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10173	0	VALERO-SUN PLANT DEHYD		STARR	TX	00	R	100	8,225	
10729	0	ZAPATA-ZIM DEHYD	ENERCORP RESOURCES INC	STARR	TX	00	R	100	3,809	
11102	0	EUGENE ISLAND BLK 342 A	TEXACO	OFFSHORE-FEDERA	LA	01	R	500	10,878	
11119	0	CHEVRON-S HARSH IS BLK 61 C	CHEVRON USA INC	OFFSHORE-FEDERA	OL	01	R	500	20,817	
11353	0	AHOCO-EUGENE IS BLK 322 A	TEXAS GAS TRANSMISSION CORP	OFFSHORE-FEDERA	OL	01	R	500	822	
11362	0	INTRASTATE-SULLIVAN CITY DEHYD		HIDALGO	TX	00	R	100	4,167	
11464	0	AMOCO-SHIP SHOAL BLK 177 A	CONOCO INC	OFFSHORE-FEDERA	OL	01	R	500	1,500	
11971	0	CHEVRON-SOUTH MARSH ISLAND 7	CHEVRON USA INC	OFFSHORE-FEDERA	OL	01	R	500	2,821	
12034	0	ARCO-E. CAM. BLK. 60	ARCO NATURAL GAS MARKETING INC	OFFSHORE-FEDERA	OL	01	R	800	4,166	
12087	0	ARCO-MIAMI CORP DEHYD	ARCO NATURAL GAS MARKETING INC	CAMERON	LA	01	R	800	15,640	
12100	0	ENSEARCH-KATY EXCHANGE	LONE STAR GAS COMPANY	WALLER	TX	01	R	100	6,450	
12112	0	CHEVRON-EUGENE ISLAND 238-E	SABINE PRODUCTION CO	OFFSHORE-FEDERA	OL	01	R	500	4,659	
12141	0	VALERO-CARTHAGE GAS UNIT #13	VALERO TRANSMISSION LP	PANOLA	TX	00	R	100	10,000	
20741	0	STA 47 POOLING POINT		OUACHITA	LA	01	R	100	358	
20108	0	BOSTON-SOUTHRIDGE MASS	BOSTON GAS CO	WORCESTER	MA	06	D	200	7,750	
20110	0	BOSTON-CLINTON MASS	BOSTON GAS CO	WORCESTER	MA	06	D	200	3,450	100 LBS
20111	0	BOSTON-LEOMINSTER MASS	BOSTON GAS CO	WORCESTER	MA	06	D	200	7,100	100 LBS
20115	0	BOSTON-ARLINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	39,767	100 LBS
20116	0	BOSTON-REVERE MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	6,065	100 LBS
20117	0	BOSTON-LYNN MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	14,321	100 LBS
20118	0	BOSTON-BEVERLY-SALEM MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	25,500	100 LBS
20119	0	BOSTON-GLOUCESTER MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	6,895	100 LBS
20136	0	BOSTON-READING MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	16,500	100 LBS
20191	0	BOSTON-SPENCER MASS	BOSTON GAS CO	WORCESTER	MA	06	D	200	4,300	100 LBS
20192	0	BOSTON-LEXINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	5,200	100 LBS
20341	0	BOSTON-BURLINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	16,200	100 LBS
20343	0	BOSTON-LYNNFIELD MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	4,300	100 LBS
20389	0	BOSTON-W/PEABODY MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	3,050	100 LBS
20526	0	HONEOYE-STORAGE INC	HONEOYE STORAGE CORPORATION	ONTARIO	NY	05	D	200	6,000	

</TABLE>

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SERVICE PACKAGE NO. 2062
AMENDMENT NO. 0

<TABLE>

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

<CAPTION>

METER	AMD	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	METER-TQ
<C>	<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
20578	0	PENN-NFG-ANDREWS SETTLEMENT SA	PENN YORK ENERGY CORPORATION	POTTER	PA	04	D	300	5,800
60018	0	TGP - NORTHERN STORAGE INJECTI		POTTER	PA	04	D	300	36,952

NUMBER OF RECEIPT POINTS: 14
NUMBER OF DELIVERY POINTS: 17

THE SUM OF TRANSPORTER'S DELIVERIES TO SHIPPER FOR ALL TRANSPORTATION CONTRACTS CONVERTED FROM FIRM SALES CANNOT ON ANY DAY EXCEED THE FOLLOWING QUANTITIES:

20108	0	BOSTON-SOUTHBRIDGE MASS		WORCESTER	MA	06	D	200	7,750
20110	0	BOSTON-CLINTON MASS	BOSTON GAS CO	WORCESTER	MA	06	D	200	3,450
20111	0	BOSTON-LEOMINSTER MASS	BOSTON GAS CO	WORCESTER	HA	06	D	200	7,100
20115	0	BOSTON-ARLINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	39,767
20116	0	BOSTON-REVERE MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	6,065
20117	0	BOSTON-LYNN MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	14,321
20118	0	BOSTON-BEVERLY-SALEM MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	2,550
20119	0	BOSTON-GLOUCESTER MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	6,895
20136	0	BOSTON-READING MASS	BOSTON GAS CO	MIDDLESEX	HA	06	D	200	16,500
20191	0	BOSTON-SPENCER MASS	BOSTON GAS CO	WORORCESTER	MA	96	D	200	4,300
20192	0	BOSTON-LEXINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	5,200
20341	0	BOSTON-BURLINGTON MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200	16,200
20343	0	BOSTON-LYNNFIELD MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	4,300
20389	0	BOSTON-W PEABODY MASS	BOSTON GAS CO	ESSEX	MA	06	D	200	3,050
20526	0	HONEOYE-STORAGE INC	HONEOYE STORAGE CORPORATION	ONTARIO	NY	05	D	200	6,000
20578	0	PENN-NFG-ANDREWS SETTLEMENT SA	PENN YORK ENERGY CORPORATION	POTTER	PA	04	D	300	5,800
20018	0	TGP-NORTHERN STORAGE INJECTI		POTTER	PA	04	D	300	36,952

THE SUM OF TRANSPORTER'S DELIVERIES TO SHIPPER FOR ALL TRANSPORTATION CONTRACTS CONVERTED FROM FIRM SALES CANNOT EXCEED 57,483 DTH/DAY FOR THE FOLLOWING METERS:

20136	0	BOSTON-READING MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200
20117	0	BOSTON-LYNN MASS	BOSTON GAS CO	ESSEX	MA	06	D	200
20118	0	BOSTON-BEVERLY-SALEM MASS	BOSTON GAS CO	ESSEX	MA	06	D	200
20119	0	BOSTON-GLOUCESTER MASS	BOSTON GAS CO	ESSEX	MA	06	D	200
20343	0	BOSTON-LYNNFIELD MASS	BOSTON GAS CO	ESSEX	MA	06	D	200
23389	0	BOSTON-W PEABODY MASS	BOSTON GAS CO	ESSEX	HA	06	D	200
20116	0	BOSTON-REVERE MASS	BOSTON GAS CO	MIDDLESEX	MA	06	D	200

</TABLE>

METERS 060018 AND 070018 ARE FOR NOMINATION PURPOSES ONLY AND DO NOT DENOTE CAPACITY AT THESE SPECIFIC POINTS.

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1

This Service Agreement, made and entered into this 30th day of December 1993, by and between TEXAS EASTERN TRANSMISSION CORPORATION, a Delaware Corporation (herein called "Pipeline") and BOSTON GAS COMPANY (herein called "Customer", whether one or more),

WITNESSETH:

WHEREAS, the Federal Energy Regulatory Commission required Pipeline to restructure Pipeline's services to reflect compliance with Order Nos. 636, 636-A, and 636-B (collectively hereinafter referred to as "Order No. 636"); and

WHEREAS, by order issued January 13, 1993 (62 FERC P61,015) and order issued April 22, 1993 (63 FERC P61,100), the Federal Energy Regulatory Commission accepted Pipeline's revised tariff sheets filed in compliance with Order No. 636 to become effective June 1, 1993, subject to certain conditions set forth in the April 22, 1993 order; and

WHEREAS, Algonquin Gas Transmission Company ("Algonquin") made its final Order No. 636 service elections on May 3, 1993 pursuant to the April 22, 1993 order and Pipeline filed revised tariff sheets to become effective June 1, 1993 in compliance with the April 22, 1993 order; and

WHEREAS, Customer is also a customer of Algonquin; and

WHEREAS, Algonquin, in compliance with Order No. 636 and Federal Energy Regulatory Commission orders issued in Docket No. RS92-28, is assigning its firm service rights on Pipeline directly to its customers; and

WHEREAS, Customer's service rights hereunder are part of Algonquin's service rights being assigned to its customers; and

WHEREAS, Pipeline and Customer now desire to enter into this Service Agreement to reflect the assignment of Algonquin's service rights to Customer;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof, of Pipeline's Rate Schedule FT-1, and of the General Terms and Conditions, transportation service hereunder will be firm. Subject to the terms, conditions and limitations hereof and of Pipeline's Rate Schedule FT-1, Pipeline agrees to deliver for

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1
(Continued)

Customer's account quantities of natural gas up to the following quantity:

Maximum Daily Quantity (MDQ)	83,133 dth
------------------------------	------------

Pipeline shall receive for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Receipt) for transportation hereunder daily quantities of gas up to Customer's MDQ, plus Applicable Shrinkage. Pipeline shall

transport and deliver for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Delivery), such daily quantities tendered up to such Customer's MDQ.

Pipeline shall not be obligated to, but may at its discretion, receive at any Point of Receipt on any day a quantity of gas in excess of the applicable Maximum Daily Receipt Obligation (MDRO), plus Applicable Shrinkage, but shall not receive in the aggregate at all Points of Receipt on any day a quantity of gas in excess of the applicable MDQ, plus Applicable Shrinkage. Pipeline shall not be obligated to, but may at its discretion, deliver at any Point of Delivery on any day a quantity of gas in excess of the applicable Maximum Daily Delivery Obligation (MDDO), but shall not deliver in the aggregate at all Points of Delivery on any day a quantity of gas in excess of the applicable MDQ.

In addition to the MDQ and subject to the terms, conditions and limitations hereof, Rate Schedule FT-1 and the General Terms and Conditions, Pipeline shall deliver within the Access Area under this and all other service agreements under Rate Schedules CDS, FT-1, and/or SCT, quantities up to Customer's Operational Segment Capacity Entitlements, excluding those Operational Segment Capacity Entitlements scheduled to meet Customer's MDQ, for Customer's account, as requested on any day.

ARTICLE II

TERM OF AGREEMENT

The term of this Service Agreement shall commence on June 1, 1993 and shall continue in force and effect until 04/30/2012 and year to year thereafter unless this Service Agreement is terminated as hereinafter provided. This Service Agreement may be terminated by either Pipeline or Customer upon five (5) years prior written notice to the other specifying a termination date of any year occurring on or after the expiration of the primary term. In addition to Pipeline rights under Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the

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SERVICE AGREEMENT FOR RATE SCHEDULE FT-1 (Continued)

amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

THE TERMINATION OF THIS SERVICE AGREEMENT WITH A FIXED CONTRACT TERM OR THE PROVISION OF A TERMINATION NOTICE BY CUSTOMER TRIGGERS PREGRANTED ABANDONMENT UNDER SECTION 7 OF THE NATURAL GAS ACT AS OF THE EFFECTIVE DATE OF THE TERMINATION. PROVISION OF A TERMINATION NOTICE BY PIPELINE ALSO TRIGGERS CUSTOMER'S RIGHT OF FIRST REFUSAL UNDER SECTION 3.13 OF THE GENERAL TERMS AND CONDITIONS ON THE EFFECTIVE DATE OF THE TERMINATION.

Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Pipeline's FERC Gas Tariff, Volume No. 1, shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished.

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule FT-1 and of the General Terms and Conditions of Pipeline's FERC Gas Tariff on file with the Federal Energy, Regulatory Commission, all of which are by this reference made a part hereof.

Customer shall pay Pipeline, for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule FT-1 as filed with the Federal Energy Regulatory Commission, and as same may hereafter be legally amended or superseded.

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate Schedule FT-1, (b) Pipeline's Rate Schedule FT-1 pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule FT-1. Notwithstanding the foregoing, Customer does not agree that Pipeline shall have, the unilateral right without the consent of Customer subsequent to the execution of this Service Agreement and Pipeline shall not have the right during the effectiveness of this Service Agreement to make any filings pursuant to Section 4 of the Natural Gas Act to change

3

4

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1
(Continued)

the MDQ specified in Article I, to change the term of the agreement as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV, or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, and Customer does not waive any rights it may have with respect to such filings.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

The Point(s) of Receipt and Point(s) of Delivery at which Pipeline shall receive and deliver gas, respectively, shall be specified in Exhibit(s) A and B of the executed service agreement. Customer's Zone Boundary Entry Quantity and Zone Boundary Exit Quantity for each of Pipeline's zones shall be specified in Exhibit C of the executed service agreement.

Exhibit(s) A, B and C are hereby incorporated as part of this Service Agreement for all intents and purposes as if fully copied and set forth herein at length.

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform to the quality specifications set forth in Section 5 of Pipeline's General Terms and Conditions. Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications. Customer shall execute or cause its supplier to execute, if such supplier has retained processing rights to the gas delivered to Customer, the appropriate agreements prior to the commencement of service for the transportation and processing of any liquefiable hydrocarbons and any PVR quantities associated with the processing of gas received by Pipeline at the Point(s) of Receipt under such Customer's service agreement. In addition, subject to the execution of appropriate agreements, Pipeline is willing to

transport liquids associated with the gas produced and tendered for transportation hereunder.

4

5

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1
(Continued)

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

- (a) Pipeline: TEXAS EASTERN TRANSMISSION CORPORATION
5400 Westheimer Court
Houston, TX 77056-5310
- (b) Customer: BOSTON GAS COMPANY
ONE BEACON STREET
BOSTON, MA 02108

or such other address as either party shall designate by formal written notice.

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture, bank credit agreement, assignment, receivable sale, or similar instrument which it has executed or may execute hereafter; otherwise, neither Customer nor Pipeline shall assign this Service Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other; provided further, however, that neither Customer nor Pipeline shall be released from its obligations hereunder without the consent of the other. In addition, Customer may assign its rights to capacity pursuant to Section 3.14 of the General Terms and Conditions. To the extent Customer so desires, when it releases capacity pursuant to Section 3.14 of the General Terms and Conditions, Customer may require privity between Customer and the Replacement Customer, as further provided in the applicable Capacity Release Umbrella Agreement.

5

6

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1
(Continued)

ARTICLE VIII

INTERPRETATION

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the

subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below:

NONE

6

7

SERVICE AGREEMENT
FOR RATE SCHEDULE FT-1
(Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION CORPORATION

By /s/ Diane T. Tom

Vice President

ATTEST

/s/ Robert W. Reed

BOSTON GAS COMPANY

By /s/ William R. Luthern

ATTEST:

7

8

Contract #800285

<TABLE>

EXHIBIT A, TRANSPORTATION PATHS
FOR BILLING PURPOSES, DATED _____,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE FT-1
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline")
AND BOSTON GAS COMPANY ("Customer"),
DATED _____:

(1) Customer's firm Point(s) of Receipt:

<CAPTION>

Point of Receipt	Description	Maximum Daily Receipt Obligation (plus Applicable Shrinkage)	Measurement Responsibilities	Owner	Operator
<S>	<C>				
None					

</TABLE>

(2) Customer shall have Pipeline's Master Receipt Point List

("MRPL"). Customer hereby agrees that Pipeline's MRPL as revised and published by Pipeline from time to time is incorporated herein by reference.

Customer hereby agrees to comply with the Receipt Pressure Obligation as set forth in Section 6 of Pipeline's General Terms and Conditions at such Point(s) of Receipt.

<TABLE>

<CAPTION>

Transportation Path -----	Transportation Path Quantity (Dth/D) -----
<S> M1 to M3	<C> 83,133

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /S/ DIANE T. TOM

CUSTOMER: /S/ WILLIAM R. LUTHEEN

SUPERSEDES EXHIBIT A DATED: -----

A-1

9

Contract #:800285

<TABLE>

EXHIBIT B, POINT(S) OF DELIVERY, DATED _____,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE FT-1
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline"), AND
BOSTON GAS COMPANY ("Customer"),
DATED _____:

<CAPTION>

Point of Delivery -----	Description -----	Maximum Daily Delivery Obligation (dth) -----	Delivery Pressure Obligation -----	Measurement Responsi- bilities -----	Owner -----	Operator -----
<S> 1. 70087	<C> ALGONQUIN - LAMBERTVILLE, NJ HUNTERDON CO., NJ	<C> 83,133	<C> AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	<C> TX EAST TRAN	<C> TX EAST TRAN	<C> ALGONQUIN
2. 71078	ALGONQUIN - HANOVER, NJ MORRIS CO., NJ	72,571	AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	TX EAST TRAN	TX EAST TRAN	ALGONQUIN
3. 79513	SS-1 STORAGE POINT	24,125 04/01-10/31 24,125 11/01-03/31	N/A	N/A	N/A	N/A
4. 79818	AGT-BOSTON GAS - FOR NOMINATION PURPOSES	0	N/A	N/A	N/A	N/A

</TABLE>

provided, however, that until changed by a subsequent Agreement between Pipeline and Customer, Pipeline's aggregate maximum daily delivery obligations at each of the Points of Delivery described above, including Pipeline's maximum daily delivery obligation under this and all other firm Service Agreements existing between Pipeline and Customer, shall in no event exceed the following:

B-1

<TABLE>

EXHIBIT B, POINT(S) OF DELIVERY (Continued)
BOSTON GAS COMPANY

<CAPTION>

POINT OF DELIVERY -----	AGGREGATE MAXIMUM DAILY DELIVERY OBLIGATION. (DTH) -----
<S>	<C>
No. 1	157,064
No. 2	72,571
No. 3	24,125

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Diane T. Tom

CUSTOMER: /s/ William R. Luthern

SUPERSEDES EXHIBIT B DATED

B-2

<TABLE>

EXHIBIT C, ZONE BOUNDARY ENTRY QUANTITY AND ZONE BOUNDARY EXIT QUANTITY,
DATED _____, TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE FT-1
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("PIPELINE") AND
BOSTON GAS COMPANY ("CUSTOMER"), DATED _____:

ZONE BOUNDARY ENTRY QUANTITY
Dth/D

To
--

<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX								2358						
ETX					10020		3567							
WLA							1085	2358						
ELA						65096								
M1-24									10020					
M1-30										65096				
M1-TXG											4652			
M1-TGC												4715		
M2-24														
M2-30														
M2-TXG														
M2-TGC														
M2														
M3														83133

</TABLE>

C-1

<TABLE>

EXHIBIT C (Continued)
BOSTON GAS COMPANY
ZONE BOUNDARY EXIT QUANTITY
Dth/D

To
--

<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX														
ETX														
WLA														

ELA				
M1-24	10020			
M1-30		65096		
M1-TXG			4652	
M1-TGC				4715
M2-24				
M2-30				
M2-TXG				
M2-TGC				
M2				83133
M3				

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Diane T. Tom

CUSTOMER: /s/ William R. Lutheen

SUPERCEDES EXHIBIT C DATED

C-2

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS

This Service Agreement, made and entered into this 30th day of December, 1993, by and between TEXAS EASTERN TRANSMISSION CORPORATION, a Delaware Corporation (herein called "Pipeline") and BOSTON GAS COMPANY (herein called "Customer", whether one or more),

WITNESSETH:

WHEREAS, the Federal Energy Regulatory Commission required Pipeline to restructure Pipeline's services to reflect compliance with Order Nos. 636, 636-A, and 636-B (collectively hereinafter referred to as "Order No. 636"); and

WHEREAS, by order issued January 13, 1993 (62 FERC P61,015) and order issued April 22, 1993 (63 FERC P61,100), the Federal Energy Regulatory Commission accepted Pipeline's revised tariff sheets filed in compliance with Order No. 636 to become effective June 1, 1993, subject to certain conditions set forth in the April 22, 1993 order; and

WHEREAS, Algonquin Gas Transmission Company ("Algonquin") made its final Order No. 636 service elections on May 3, 1993 pursuant to the April 22, 1993 order and Pipeline filed revised tariff sheets to become effective June 1, 1993 in compliance with the April 22, 1993 order; and

WHEREAS, Customer is also a customer of Algonquin; and

WHEREAS, Algonquin, in compliance with Order No. 636 and Federal Energy Regulatory Commission orders issued in Docket No. RS92-28, is assigning its firm service rights on Pipeline directly to its customers; and

WHEREAS, Customer's service rights hereunder are part of Algonquin's service rights being assigned to its customers; and

WHEREAS, Pipeline and Customer now desire to enter into this Service Agreement to reflect the assignment of Algonquin's service rights to Customer;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof, of Pipeline's Rate Schedule CDS, and of the General Terms and Conditions, transportation service hereunder will be firm. Subject to the terms, conditions and limitations hereof and of Sections 2.3 and 2.4 of Pipeline's Rate Schedule CDS, Pipeline

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

shall deliver to those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Delivery), for Customer's account, as requested for any day, natural gas quantities up to Customer's MDQ. Customer's MDQ is as follows:

Maximum Daily Quantity (MDQ) 30,371 dth

Subject to variances as may be permitted by Sections 2.4 of

Rate Schedule CDS or the General Terms and Conditions, Customer shall deliver to Pipeline and Pipeline shall receive, for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Receipt) daily quantities of gas equal to the daily quantities delivered to Customer pursuant to this Service Agreement up to Customer's MDQ, plus Applicable Shrinkage as specified in the General Terms and Conditions.

Pipeline shall not be obligated to, but may at its discretion, receive at any Point of Receipt on any day a quantity of gas in excess of the applicable Maximum Daily Receipt Obligation (MDRO), plus Applicable Shrinkage, but shall not receive in the aggregate at all Points of Receipt on any day a quantity of gas in excess of the applicable MDQ, plus Applicable Shrinkage. Pipeline shall not be obligated to, but may at its discretion, deliver at any Point of Delivery on any day a quantity of gas in excess of the applicable Maximum Daily Delivery Obligation (MDDO), but shall not deliver in the aggregate at all Points of Delivery on any day a quantity of gas in excess of the MDQ.

In addition to the MDQ and subject to the terms, conditions and limitations hereof, Rate Schedule CDS and the General Terms and Conditions, Pipeline shall deliver within the Access Area under this and all other service agreements under Rate Schedules CDS, FT-1, and/or SCT, quantities up to Customer's Operational Segment Capacity Entitlements, excluding those Operational Segment Capacity Entitlements scheduled to meet Customer's MDQ, for Customer's account, as requested on any day.

ARTICLE II

TERM OF AGREEMENT

The term of this Service Agreement shall commence on June 1, 1993 and shall continue in force and effect until 04/30/2012 and year to year thereafter unless this Service Agreement is terminated as hereinafter provided. This Service Agreement may be terminated by either Pipeline or Customer upon five (5) years prior written notice to the other specifying a termination date

2

3

SERVICE AGREEMENT FOR RATE SCHEDULE CDS (Continued)

of any year occurring on or after the expiration of the primary term. In addition to Pipeline rights under Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

THE TERMINATION OF THIS SERVICE AGREEMENT WITH A FIXED CONTRACT TERM OR THE PROVISION OF A TERMINATION NOTICE BY CUSTOMER TRIGGERS PREGRANTED ABANDONMENT UNDER SECTION 7 OF THE NATURAL GAS ACT AS OF THE EFFECTIVE DATE OF THE TERMINATION. PROVISION OF A TERMINATION NOTICE BY PIPELINE ALSO TRIGGERS CUSTOMER'S RIGHT OF FIRST REFUSAL UNDER SECTION 3.13 OF THE GENERAL TERMS AND CONDITIONS ON THE EFFECTIVE DATE OF THE TERMINATION.

Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Pipeline's FERC Gas Tariff, Volume No. 1, shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished.

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule CDS and of the General Terms and Conditions of Pipeline's FERC Gas Tariff on file with the Federal Energy Regulatory Commission, all of which are by this reference made a part hereof.

Customer shall pay Pipeline, for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule CDS as filed with the Federal Energy Regulatory Commission, and as same may hereafter be legally amended or superseded.

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate Schedule CDS, (b) Pipeline's Rate Schedule CDS pursuant to which service hereunder is rendered

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SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

or (c) any provision of the General Terms and Conditions applicable to Rate Schedule CDS. Notwithstanding the foregoing, Customer does not agree that Pipeline shall have the unilateral right without the consent of Customer subsequent to the execution of this Service Agreement and Pipeline shall not have the right during the effectiveness of this Service Agreement to make any filings pursuant to Section 4 of the Natural Gas Act to change the MDQ specified in Article I, to change the term of the agreement as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV, or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, and Customer does not waive any rights it may have with respect to such filings.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

The Point(s) of Receipt and Point(s) of Delivery at which Pipeline shall receive and deliver gas, respectively, shall be specified in Exhibit(s) A and B of the executed service agreement. Customer's Zone Boundary Entry Quantity and Zone Boundary Exit Quantity for each of Pipeline's zones shall be specified in Exhibit C of the executed service agreement.

Exhibit(s) A, B and C are hereby incorporated as part of this Service Agreement for all intents and purposes as if fully copied and set forth herein at length.

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform to the quality specifications set forth in Section 5 of Pipeline's General Terms and Conditions. Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications. Customer shall execute or cause its supplier to execute, if such supplier has retained processing rights to the gas delivered to Customer, the appropriate agreements prior to the commencement of service for the transportation and processing of any liquefiable hydrocarbons and any PVR quantities associated with the processing of gas received by Pipeline at the Point(s) of Receipt under such Customer's service agreement. In addition, subject to

the execution of appropriate agreements, Pipeline is willing to

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SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

transport liquids associated with the gas produced and tendered for transportation hereunder.

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

(a) Pipeline: TEXAS EASTERN TRANSMISSION CORPORATION
5400 Westheimer Court
Houston, TX 77056-5310

(b) Customer: BOSTON GAS COMPANY
One Beacon Street
Boston, MA 02108

or such other address as either party shall designate by formal written notice.

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture, bank credit agreement, assignment, receivable sale, or similar instrument which it has executed or may execute hereafter; otherwise, neither Customer nor Pipeline shall assign this Service Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other; provided further, however, that neither Customer nor Pipeline shall be released from its obligations hereunder without the consent of the other. In addition, Customer may assign its rights to capacity pursuant to Section 3.14 of the General Terms and Conditions. To the extent Customer so desires, when it releases capacity pursuant to Section 3.14 of the General Terms and Conditions, Customer may require privity between Customer and

5

6

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

the Replacement Customer, as further provided in the applicable Capacity Release Umbrella Agreement.

ARTICLE VIII

INTERPRETATION

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below:

NONE

6

7

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION CORPORATION

By /s/ Diane T. Tom

Vice President

ATTEST:

/s/ Robert W. Reed

BOSTON GAS COMPANY

By /s/ William R. Luthern

ATTEST:

7

8

Contract #800286

EXHIBIT A, TRANSPORTATION PATHS
FOR BILLING PURPOSES, DATED _____,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline")
AND BOSTON GAS COMPANY ("Customer"),
DATED _____:

<TABLE>

(1) Customer's firm Point(s) of Receipt:

<CAPTION>

Point of Receipt	Description	Maximum Daily Receipt Obligation (plus Applicable Shrinkage)	Measurement Responsibilities	Owner	Operator
<S>	<C>	<C>	<C>	<C>	<C>
None					

</TABLE>

(2) Customer shall have Pipeline's Master Receipt Point List ("MRPL"). Customer hereby agrees that Pipeline's MRPL as revised and published by Pipeline from time to time is incorporated herein by reference.

Customer hereby agrees to comply with the Receipt Pressure Obligation as set forth in Section 6 of Pipeline's General Terms and Conditions at such Point(s) of Receipt.

<TABLE>
<CAPTION>

Transportation Path -----	Transportation Path Quantity (Dth/D) -----
<S> MI to M3	<C> 30,371

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Diane T. Tom

CUSTOMER: /s/ William B. Luthern

SUPERSEDES EXHIBIT A DATED: -----

A-1

9

Contract #:800286

<TABLE>

EXHIBIT B, POINT(S) OF DELIVERY, DATED _____,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline"), AND
BOSTON GAS COMPANY ("Customer"),
DATED _____:

<CAPTION>

Point of Delivery -----	Description -----	Maximum Daily Delivery Obligation ----- (dth)	Delivery Pressure Obligation -----	Measurement Responsi- bilities -----	Owner -----	Operator -----
<S> 1. 70087	<C> ALGONQUIN - LAMBERTVILLE, NJ HUNTERDON CO., NJ	<C> 30,371	<C> AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	TX EAST TRAN	<C> TX EAST TRAN	<C> ALGONQUIN
2. 71078	ALGONQUIN - HANOVER, NJ MORRIS CO., NJ	30,371	AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	TX EAST TRAN	TX EAST TRAN	ALGONQUIN
3. 79513	SS-1 STORAGE POINT	24,125 04/01-10/31 24,125 11/01-03/31	N/A	N/A	N/A	N/A
4. 79818	AGT-BOSTON GAS - FOR NOMINATION PURPOSES	0	N/A	N/A	N/A	N/A

</TABLE>

provided, however, that until changed by a subsequent Agreement between Pipeline and Customer, Pipeline's aggregate maximum daily delivery obligations at each of the Points of Delivery described above, including Pipeline's maximum daily delivery obligation under this and all other firm Service Agreements existing between Pipeline and Customer, shall in no event exceed the following:

B-1

<TABLE>

EXHIBIT B, POINT(S) OF DELIVERY (Continued)
BOSTON GAS COMPANY

<CAPTION>

POINT OF DELIVERY	AGGREGATE MAXIMUM DAILY DELIVERY OBLIGATION (DTH)
<S>	<C>
No. 1	157,064
No. 2	72,571
No. 3	24,125

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Diane T. Tom

CUSTOMER: /s/ William B. Luthern

SUPERSEDES EXHIBIT B DATED

B-2

<TABLE>

EXHIBIT C, ZONE BOUNDARY ENTRY QUANTITY AND ZONE BOUNDARY EXIT QUANTITY,
DATED _____, TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("PIPELINE") AND
BOSTON GAS COMPANY ("CUSTOMER"), DATED _____:

ZONE BOUNDARY ENTRY QUANTITY
Dth/D

To
--

<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX							861							
ETX					3661		1303							
WLA							397	861						
ELA						23781								
M1-24									3661					
M1-30										23781				
M1-TXG											1700			
M1-TGC												1723		
M2-24														
M2-30														
M2-TXG														
M2-TGC														
M2														
M3														30371

</TABLE>

C-1

<TABLE>

EXHIBIT C (Continued)
BOSTON GAS COMPANY

ZONE BOUNDARY EXIT QUANTITY
Dth/D

To
--

<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX														

ETX				
WLA				
ELA				
M1-24	3661			
M1-30		23781		
M1-TXG			1700	
M1-TGC				1723
M2-24				
M2-30				
M2-TXG				
M2-TGC				
M2				
M3				30371
</TABLE>				

SIGNED FOR IDENTIFICATION:

PIPELINE: /s/ Diane T. Tom

CUSTOMER: /s/ William B. Luthern

SUPERCEDES EXHIBIT C DATED _____

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

This Agreement ("Agreement") is made and entered into this 1st day of June, 1993, by and between Algonquin Gas Transmission Company, a Delaware Corporation (herein called "Algonquin"), and Boston Gas Company (herein called "Customer" whether one or more persons).

In consideration of the premises and of the mutual covenants herein contained, the parties do agree as follows:

ARTICLE I
SCOPE OF AGREEMENT

1.1 Subject to the terms, conditions and limitations hereof and of Algonquin's Rate Schedule AFT-1, Algonquin agrees to receive from or for the account of Customer for transportation on a firm basis quantities of natural gas tendered by Customer on any day at the Point(s) of Receipt; provided, however, Customer shall not tender without the prior consent of Algonquin, at any Point of Receipt on any day a quantity of natural gas in excess of the applicable Maximum Daily Receipt Obligation for such Point of Receipt plus the applicable Fuel Reimbursement Quantity; and provided further that Customer shall not tender at all Point(s) of Receipt on any day or in any year a cumulative quantity of natural gas, without the prior consent of Algonquin, in excess of the following quantities natural gas plus the applicable Fuel Reimbursement Quantities:

<TABLE>

<S>		<C>	
	Maximum Daily Transportation Quantity		48,234 MMBtu
	Maximum Annual Transportation Quantity		2,894,040 MMBtu

</TABLE>

1.2 Algonquin agrees to transport and deliver to or for the account of Customer at the Point(s) of Delivery and Customer agrees to accept or cause acceptance of delivery of the quantity received by Algonquin on any day, less the Fuel Reimbursement Quantities; provided, however, Algonquin shall not be obligated to deliver at any Point of Delivery on any day a quantity of natural gas in excess of the applicable Maximum Daily Delivery Obligation.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

ARTICLE II

TERM OF AGREEMENT

- 2.1 This Agreement shall become effective as of the date set forth hereinabove and shall continue in effect for a term ending on and including October 31, 1996, (Primary Term") and shall remain in force from year to year thereafter unless terminated by either party by written notice one year or more prior to the end of the Primary Term or any successive term thereafter. Algonquin's right to cancel this Agreement upon the expiration of the Primary Term hereof or any succeeding term shall be subject to Customer's rights pursuant to Sections 8 and 9 of the General Terms and Conditions.
- 2.2 This Agreement may be terminated at any time by Algonquin in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty days after payment is due; provided Algonquin gives ten days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Algonquin of such outstanding bill; provided that Algonquin shall not be entitled to terminate service pending the resolution of a disputed bill if Customer complies with the billing dispute procedure currently on file in Algonquin's tariff.

ARTICLE III
RATE SCHEDULE

- 3.1 Customer shall pay Algonquin for all services rendered hereunder and for the availability of such service under Algonquin's Rate Schedule AFT-1 as filed with the Federal Energy Regulatory Commission and as the same may be hereafter revised or changed. The rate to be charged Customer for transportation hereunder shall not be more than the maximum rate under Rate Schedule AFT-1, nor less than' the minimum rate under Rate Schedule AFT-1.
- 3.2 This Agreement and all terms and provisions contained or incorporated herein are subject to the provisions of Algonquin's applicable rate schedules and of Algonquin's General Terms and Conditions on file with the Federal Energy Regulatory Commission, or other duly constituted authorities having jurisdiction, and as the same may be legally amended or superseded, which rate schedules and General Terms and Conditions are by this reference made

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

3.3 Customer agrees that Algonquin shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Algonquin's Rate Schedule AFT-1, (b) Algonquin's Rate Schedule AFT-1, pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule AFT-1. Algonquin agrees that Customer may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Algonquin's existing FERC Gas Tariff as may be found necessary to assure that the provisions in (a), (b), or (c) above are just and reasonable.

ARTICLE IV
POINT(S) OF RECEIPT

Natural gas to be received by Algonquin for the account of Customer hereunder shall be received at the outlet side of the measuring station(s) at or near the Primary Point(s) of Receipt set forth in Exhibit A of the service agreement, with the Maximum Daily Receipt Obligation and the receipt pressure obligation indicated for each such Primary Point of Receipt. Natural gas to be received by Algonquin for the account of Customer hereunder may also be received at the outlet side of any other measuring station on the Algonquin system, subject to reduction pursuant to Section 6.2 of Rate Schedule AFT-1.

ARTICLE V
POINT(S) OF DELIVERY

Natural gas to be delivered by Algonquin for the account of Customer hereunder shall be delivered on the outlet side of the measuring station(s) at or near the Primary Point(s) of Delivery set forth in Exhibit B of the service agreement, with the Maximum Daily Delivery Obligation and the delivery pressure obligation indicated for each such Primary Point of Delivery. Natural gas to be delivered by Algonquin for the account of Customer hereunder may also be delivered at the outlet side of any other measuring station on the Algonquin system, subject to reduction pursuant to Section 6.4 of Rate Schedule AFT-1.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

ARTICLE VI
ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Algonquin's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or first class mail to the post office address of the parties hereto, as the case may be, as follows:

- (a) Algonquin: Algonquin Gas Transmission Company
1284 Soldiers Field Road
Boston, MA 02135
Attn: John J. Mullaney
Vice President, Marketing
- (b) Customer: Boston Gas Company
One Beacon Street
Boston, MA 02108
Attn: William R. Luthern
Vice President, Gas Supply and Production

or such other address as either party shall designate by formal written notice.

ARTICLE VII
INTERPRETATION

The interpretation and performance of the Agreement shall be in accordance with the laws of the Commonwealth of Massachusetts, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

ARTICLE VIII
AGREEMENTS BEING SUPERSEDED

When this Agreement becomes effective, it shall supersede the following agreements between the parties hereto, except that in the case of conversions from former Rate Schedules F-2 and F-3, the parties' obligations under Article II of the service agreements pertaining to such rate schedules shall continue in effect.

Service Agreement executed by Customer and Algonquin under Rate Schedule WS-1 dated April 4, 1972.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective agents thereunto duly authorized, the day and year first above written.

ALGONQUIN GAS TRANSMISSION COMPANY

By: /s/ JOHN J. MULLANEY

Title: Vice President, Marketing

BOSTON GAS COMPANY

By: /s/ WILLIAM R. LUTHERN

Title: Vice President

6

9W001

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

<TABLE>

Exhibit A
Point(s) of Receipt

Dated:

To the service agreement under Rate Schedule AFT-1, between Algonquin Gas Transmission Company (Algonquin) and Boston Gas Company (Customer) concerning Point(s) of Receipt

<CAPTION>

Primary Point of Receipt	Maximum Daily Receipt Obligation (MMBtu)	Maximum Receipt Pressure (Psig)
<S> Hanover, NJ (TETGO)	<C> 29,894	<C> At any pressure requested by Algonquin not in excess of 750 psig
Lambertville, NJ	18,340	At any pressure requested by Algonquin not in excess of 750 psig

</TABLE>

Signed for Identification

Algonquin: /s/ JOHN J. MULLANEY

 Customer: /s/ WILLIAM R. LUTHERN

SERVICE AGREEMENT
 (APPLICABLE TO RATE SCHEDULE AFT-1)

<TABLE>

Exhibit B
 Point(s) of Delivery

 Dated:

To the service agreement under Rate Schedule AFT-1 between
 Algonquin Gas Transmission Company (Algonquin) and
 Boston Gas Company (Customer) concerning Point(s) of Delivery

<CAPTION>

Primary Point of Delivery	Maximum Daily Delivery Obligation (MMBtu)	Maximum Delivery Pressure (Psig)
<S> At Customer's reduction valves located at Everett, MA	<C> 16,487	<C> 75

At the property line
on the outlet side of a meter
station located at:

Waltham, MA	4,783	100
East Braintree, MA	6,310	100
Weston, MA	1,425	100
Wellesley, MA	16,792	60
Ponkapoag, MA	0	--
Norwood, MA	2,437	75
Mansfield St., Somerville MA (Alternate Delivery Point)	0	--

</TABLE>

Signed for Identification

Algonquin: /s/ JOHN J. MULLANEY

Customer: /s/ WILLIAM R. LUTHERN

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

This Agreement ("Agreement") is made and entered into this 1st day of June, 1993, by and between Algonquin Gas Transmission Company, a Delaware Corporation (herein called "Algonquin"), and Boston Gas Company (herein called "Customer" whether one or more persons).

In consideration of the premises and of the mutual covenants herein contained, the parties do agree as follows:

ARTICLE I
SCOPE OF AGREEMENT

1.1 Subject to the terms, conditions and limitations hereof and of Algonquin's Rate Schedule AFT-1, Algonquin agrees to receive from or for the account of Customer for transportation on a firm basis quantities of natural gas tendered by Customer on any day at the Point(s) of Receipt; provided, however, Customer shall not tender without the prior consent of Algonquin, at any Point of Receipt on any day a quantity of natural gas in excess of the applicable Maximum Daily Receipt Obligation for such Point of Receipt plus the applicable Fuel Reimbursement Quantity; and provided further that Customer shall not tender at all Point(s) of Receipt on any day or in any year a cumulative quantity of natural gas, without the prior consent of Algonquin, in excess of the following quantities of natural gas plus the applicable Fuel Reimbursement Quantities:

<TABLE>

<S>	<C>
Maximum Daily Transportation Quantity	97,059 MMBtu
Maximum Annual Transportation Quantity	26,205,930 MMBtu

</TABLE>

1.2 Algonquin agrees to transport and deliver to or for the account of Customer at the Point(s) of Delivery and Customer agrees to accept or cause acceptance of delivery of the quantity received by Algonquin on any day, less the Fuel Reimbursement Quantities; provided, however, Algonquin shall not be obligated to deliver at any Point of Delivery on any day a quantity of natural gas in excess of the applicable Maximum Daily Delivery Obligation.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

ARTICLE II
TERM OF AGREEMENT

- 2.1 This Agreement shall become effective as of the date set forth hereinabove and shall continue in effect for a term ending on and including October 31, 1996 ("Primary Term") and shall remain in force from year to year thereafter unless terminated by either party by written notice one year or more prior to the end of the Primary Term or any successive term thereafter. Algonquin's right to cancel this Agreement upon the expiration of the Primary Term hereof or any succeeding term shall be subject to Customer's rights pursuant to Sections 8 and 9 of the General Terms and Conditions.
- 2.2 This Agreement may be terminated at any time by Algonquin in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty days after payment is due; provided Algonquin gives ten days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Algonquin of such outstanding bill; provided that Algonquin shall not be entitled to terminate service pending the resolution of a disputed bill if Customer complies with the billing dispute procedure currently on file in Algonquin's tariff.

ARTICLE III
RATE SCHEDULE

- 3.1 Customer shall pay Algonquin for all services rendered hereunder and for the availability of such service under Algonquin's Rate Schedule AFT-1 as filed with the Federal Energy Regulatory Commission and as the same may be hereafter revised or changed. The rate to be charged Customer for transportation hereunder shall not be more than the maximum rate under Rate Schedule AFT-1, nor less than the minimum rate under Rate Schedule AFT-1.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

- 3.2 This Agreement and all terms and provisions contained or

incorporated herein are subject to the provisions of Algonquin's applicable rate schedules and of Algonquin's General Terms and Conditions on file with the Federal Energy Regulatory Commission, or other duly constituted authorities having jurisdiction, and as the same may be legally amended or superseded, which rate schedules and General Terms and Conditions are by this reference made a part hereof.

3.3 Customer agrees that Algonquin shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Algonquin's Rate Schedule AFT-1, (b) Algonquin's Rate Schedule AFT-1, pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule AFT-1. Algonquin agrees that Customer may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Algonquin's existing FERC Gas Tariff as may be found necessary to assure that the provisions in (a), (b), or (c) above are just and reasonable.

ARTICLE IV
POINT(S) OF RECEIPT

Natural gas to be received by Algonquin for the account of Customer hereunder shall be received at the outlet side of the measuring station(s) at or near the Primary Point(s) of Receipt set forth in Exhibit A of the service agreement, with the Maximum Daily Receipt Obligation and the receipt pressure obligation indicated for each such Primary Point of Receipt. Natural gas to be received by Algonquin for the account of Customer hereunder may also be received at the outlet side of any other measuring station on the Algonquin system, subject to reduction pursuant to Section 6.2 of Rate Schedule AFT-1.

ARTICLE V
POINT(S) OF DELIVERY

Natural gas to be delivered by Algonquin for the account of Customer hereunder shall be delivered on the outlet side of the measuring station(s) at or near the Primary Point(s) of Delivery set forth in Exhibit B of the service agreement, with the Maximum Daily Delivery Obligation and the delivery pressure obligation indicated for each such Primary Point of Delivery.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

Natural gas to be delivered by Algonquin for the account of Customer hereunder may also be delivered at the outlet side of any other measuring station on the Algonquin system, subject to reduction pursuant to Section 6.4 of Rate Schedule AFT-1.

ARTICLE VI
ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Algonquin's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or first class mail to the post office address of the parties hereto, as the case may be, as follows:

- (a) Algonquin: Algonquin Gas Transmission Company
1284 Soldiers Field Road
Boston, MA 02135
Attn: John J. Mullaney
Vice President, Marketing

- (b) Customer: Boston Gas Company
One Beacon Street
Boston, MA 02108
Attn: William R. Luthern
Vice President, Gas Supply and Production

or such other address as either party shall designate by formal written notice.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

ARTICLE VII
INTERPRETATION

The interpretation and performance of the Agreement shall be in accordance with the laws of the Commonwealth of Massachusetts, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

ARTICLE VIII
AGREEMENTS BEING SUPERSEDED

When this Agreement becomes effective, it shall supersede the following agreements between the parties hereto, except that in the case of conversions

from former Rate Schedules F-2 and F-3, the parties' obligations under Article II of the service agreements pertaining to such rate schedules shall continue in effect.

Service Agreement executed by Customer and Algonquin under Rate Schedule F-1 dated April 4, 1972 to the extent it provides for 97,059 MMBtu Maximum Daily Quantity and related Maximum Annual Quantity.

6

93002

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective agents thereunto duly authorized, the day and year first above written.

ALGONQUIN GAS TRANSMISSION COMPANY

By: /s/ John J. Mullaney

Title: Vice President, Marketing

BOSTON GAS COMPANY

By: /s/ William R. Luthern

Title: Vice President,

7

93002

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

<TABLE>

EXHIBIT A
Point(s) of Receipt

Dated:

To the service agreement under Rate Schedule AFT-1 between

Algonquin Gas Transmission Company (Algonquin) and Boston Gas Company (Customer) concerning Point(s) of Receipt

<CAPTION>

Primary Point of Receipt	Maximum Daily Receipt Obligation (MMBtu)	Maximum Receipt Pressure (Psig)
Hanover, NJ (TETCO)	37,010	At any pressure requested by Algonquin but not in excess of 750 Psig.
Lambertville, NJ	60,049	At any pressure requested by Algonquin but not in excess of 750 Psig.

</TABLE>

Signed for Identification

Algonquin: /s/ John J. Mullaney

Customer: /s/ William R. Luthern

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE AFT-1)

<TABLE>

EXHIBIT B
Point(s) of Delivery

Dated:

To the service agreement under Rate Schedule AFT-1 between Algonquin Gas Transmission Company (Algonquin) and Boston Gas Company (Customer) concerning Point(s) of Delivery

<CAPTION>

Primary Point of Delivery	Maximum Daily Delivery Obligation (MMBtu)	Minimum Delivery Pressure (Psig)
At Customer's reduction valves located at Everett, MA	37,316	75

At the Property line on
the outlet side of a meter
station located at:

Waltham, MA	17,103	100
East Braintree, MA	16 948	100
Weston, MA	1,555	100
Wellesley, MA	20,213	60
Ponkapoag, MA	49,133	200
Norwood, MA	2,399	75
Mansfield Street, Somerville, MA (Alternate Delivery Point)	0	-

</TABLE>

Signed for Identification

Algonquin: /s/ John J. Mullaney

Customer: /s/ William R. Luthern

CREDIT AGREEMENT

by and among

BOSTON GAS COMPANY,

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

NATIONAL WESTMINSTER BANK PLC,

SHAWMUT BANK, N.A.,

THE FIRST NATIONAL BANK OF BOSTON,

and

THE FIRST NATIONAL BANK OF BOSTON,

AS AGENT

\$90,000,000

Dated as of December 22, 1993

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EXHIBIT I	Form of Opinion of Counsel to the Company

</TABLE>

CREDIT AGREEMENT, dated as of December 22, 1993, among BOSTON GAS COMPANY, a Massachusetts corporation (the "Company"), the Signatory Banks hereto (each, a "Bank" and, collectively, the "Banks"), and THE FIRST NATIONAL BANK OF BOSTON as agent hereunder (in such capacity, the "Agent").

1. DEFINITIONS.

1.1 DEFINED TERMS.

As used in this Agreement, terms defined in the paragraph above have the meanings therein indicated, and the following terms have the following meanings:

"ACCOUNTANTS": Arthur Andersen & Co., or such other firm of certified public accountants of recognized national standing selected by the Company.

"AFFECTED LOAN": as defined in paragraph 2.8.

"AFFECTED PRINCIPAL AMOUNT": (i) in the event that the Company shall fail for any reason to borrow a Loan constituting a Eurodollar Rate Loan after it shall have delivered a Borrowing Request to the Agent, an amount equal to the principal amount of such Eurodollar Rate Loan; (ii) in the event that the right of the Company to have a Eurodollar Rate Loan outstanding hereunder shall be suspended or shall terminate for any reason prior to the last day of the Interest Period applicable thereto, an amount equal to the principal amount of such Eurodollar Rate Loan; and (iii) in the event that the Company shall prepay or repay all or any part of the principal amount of a Eurodollar Rate Loan prior to the last day of the Interest Period applicable thereto, an amount equal to the principal amount so prepaid or repaid.

"AFFILIATE": a Person that directly or indirectly, or through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"AGENT'S FEES": as defined in paragraph 3.2.

"AGGREGATE COMMITMENTS": the sum of the Commitments set forth in Exhibit A as the same may be reduced pursuant to paragraph 2.4.

"AGREEMENT": this Credit Agreement, as same may be amended, supplemented or otherwise modified from time to time.

"ALTERNATE BASE RATE": the higher of (a) the annual rate of interest publicly announced from time to time by the Agent at the Agent's head office as its "base rate" and (b) one-half of

one percent (1/2%) above the overnight federal funds effective rate, as published by the Board of Governors of the Federal Reserve System, as in effect at the relevant time of reference thereto.

"ALTERNATE BASE RATE LOANS": Loans (or any portion thereof) at such time as they (or such portions) are made or are being maintained at a rate of interest based upon Alternate Base Rate.

"APPLICABLE LENDING OFFICE": as to any Bank, such Bank's Domestic Lending Office or Eurodollar Lending Office, as the case may be.

"APPLICABLE MARGIN": the additional rate per annum to be added to the interest rate at which each Loan is made determined by reference to Exhibit B hereto based upon the Debt Rating of the Company.

"AUTHORIZED SIGNATORY": the president, any vice president, the treasurer, the secretary, or any other duly authorized officer of the Company acceptable to the Agent.

"BORROWING": a Borrowing of additional principal amounts pursuant to paragraph 2.2 consisting of simultaneous Loans of the same Type made by each Bank.

"BORROWING REQUEST": as defined in paragraph 2.2.

"BORROWING DATE": any date specified in Borrowing Request delivered pursuant to paragraph 2.2 as a date on which the Company requests the Banks to make Loans hereunder.

"BUSINESS DAY": for all purposes other than as set forth in clause (ii) below, (i) any day other than a Saturday, Sunday or other day on which commercial banks located in New York City or Boston are authorized or required by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on Eurodollar Loans, any day which is a Business Day described in clause (i) above and which is also a day on which dealings in foreign currency and exchange and Eurodollar funding between banks may be carried on in London, New York City and Boston.

"CODE": the Internal Revenue Code of 1986, as the same may be amended from time to time, or any successor thereto, and the rules and regulations issued hereunder, as from time to time in effect.

"COMMITMENT": in respect of any Bank, such Bank's undertaking to make Loans to the Company, subject to the terms and conditions hereof, in an aggregate outstanding principal amount equal to but not exceeding the amount set forth next to the name of such Bank on Exhibit A under the heading "Commitment", as the same may be reduced pursuant to paragraph 2.5.

"COMMITMENT EXTENSION REQUEST": a request duly executed by an Authorized Signatory substantially in the form of Exhibit F.

"COMMITMENT PERCENTAGE": as to any Bank, the percentage set

forth opposite the name of such Bank on Exhibit A under the heading "Commitment Percentage".

"COMMONLY CONTROLLED ENTITY": an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 414(b) or 414(c) of the Code.

"CONSOLIDATED": the Company and its Subsidiaries taken as a whole.

"CONVERSION DATE": the date on which a Loan of one Type is converted to a Loan of another Type or continued as a Loan of the same Type.

"DPU": the Massachusetts Department of Public Utilities.

"DEBT RATING": the public debt rating of the Company according to Standard & Poor's Corporation or, in the event that there is no such public debt rating, the equivalent public debt rating of the Company according to Moody's Investor Service; in the event that neither Standard & Poor's Corporation or Moody's Investor Service have a public debt rating for the Company, the Company shall be deemed to have no Debt Rating.

"DESIGNATED DOCUMENTS": the Company's 1992 Form 10-K and the Company's quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 1993, June 30, 1993 and September 30, 1993.

"DOLLARS" and "\$": dollars in lawful currency of the United States of America.

"DOMESTIC LENDING OFFICE": as to any Bank, initially the office of such Bank designated as such on the signature page hereof, and thereafter such other office as reported by such Bank to the Agent, that shall be making or maintaining Alternate Base Rate Loans.

"EFFECTIVE DATE": as defined in paragraph 16.

"ENVIRONMENTAL LAW": Any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations issued hereunder, as from time to time in effect.

"EURODOLLAR LENDING OFFICE": as to any Bank, initially the office of such Bank designated as such on the signature page hereof, and thereafter such other office as reported by such Bank to the Agent, that shall be making or maintaining Eurodollar Rate Loans.

"EURODOLLAR RATE": with respect to any Interest Period applicable to any Eurodollar Rate Loan, the rate per annum determined by dividing (i) the rate per annum (rounded to the next highest 1/100 of 1%) at which Dollar deposits are offered by major banks to major banks in immediately available funds in the London interbank eurodollar market as determined by the Agent at or about 10:00 A.M. (Boston time) for delivery on the day that is two Business Days prior to the first day of such Interest Period, in an amount comparable to the amount of the Eurodollar Rate Loan of FNBB to which such Interest Period shall apply and for a period equal to such Interest Period, by (ii) one minus the aggregate of the maximum rates (expressed as a decimal) of reserves (including, without limitation, basic, supplemental, marginal and emergency reserves) for "Eurocurrency liabilities" of member banks of the Federal Reserve System as prescribed under Regulation D of the Board of Governors of the Federal Reserve System. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in such reserve rate for Eurocurrency liabilities. Each determination by the Agent of the Eurodollar Rate shall be presumed to be correct in the absence of manifest error. All interest based on the Eurodollar Rate shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

"EURODOLLAR RATE LOANS": Loans (or any portions thereof) at such time as they (or such portions) are made or being maintained at a rate of interest based upon the Eurodollar Rate.

"EVENT OF DEFAULT": any of the events specified in paragraph 9, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"FNBB": The First National Bank of Boston, a national banking association.

"FACILITY FEE": as defined in paragraph 3.1.

"FINANCIAL STATEMENTS": as defined in paragraph 4.8.

"FUNDED DEBT": shall have the same meaning as the definition of said term contained in the Indenture, and shall include the definitions of capitalized terms used in said definition.

"GAAP": generally accepted accounting principles from time to time followed by companies engaged in a business similar to that of the Company, except as otherwise required by any applicable rules, regulations or orders of the DPU, or other public regulatory authority having jurisdiction over the accounts of the Company; provided that the Company may at any time contest or controvert in good faith the validity or applicability to the Company of any such rule, regulation or order; and provided, further, that the federal income tax liability of the Company may be computed as if the Company were filing separate returns notwithstanding the fact that it may file consolidated returns as part of an affiliated group.

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"GOVERNMENTAL BODY": any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions, of, or pertaining to, government, and any court or arbitrator.

"INDENTURE": the Indenture, dated as of September 1, 1972, between the Company and State Street Bank and Trust Company, as Trustee, as the same has been amended, modified or supplemented to the date hereof.

"INTEREST PAYMENT DATE": (a) as to any Alternate Base Rate Loan, the last day of each March, June, September and December commencing on the first such day to occur after such Loan is made or any Eurodollar Rate Loan is converted to an Alternate Base Rate Loan, and the date each Alternate Base Rate Loan is paid in full, (b) as to any Eurodollar Rate Loan in respect of which the Company has selected an Interest Period of one, two or three months, the last day of such Interest Period, and (c) as to any Eurodollar Rate Loan having an Interest Period of six months, the last day and, in addition, the numerically corresponding day (or, if there is no numerically corresponding day, the last day) in the calendar month that is three months after the first day, of such Interest Period.

"INTEREST PERIOD": with respect to any Eurodollar Rate Loan comprising the same Borrowing:

(a) initially, the period commencing on, as the case may be, the Borrowing Date or a Conversion Date with respect to such Eurodollar Rate Loan, and ending one, two, three or six months thereafter, as selected by the Company in its irrevocable Borrowing Request as provided in paragraph 2.2 or its irrevocable notice of conversion as provided in paragraph 2.6; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Rate Loan and ending one, two, three or six months thereafter, as selected by the Company in its irrevocable notice of conversion

as provided in paragraph 2.6;

provided, however, that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) if any Interest Period pertaining to a Eurodollar Rate Loan comprising the same Borrowing would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) if, with respect to the conversion of any Loan, the Company shall fail to give due notice as provided in paragraph 2.6 for such Loan, such Loan shall be automatically converted to an Alternate Base Rate Loan upon the expiration of the Interest Period with respect thereto;

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(c) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(d) the Company shall select Interest Periods relating to Eurodollar Rate Loans so as not to have more than twelve different Interest Periods relating to Eurodollar Rate Loans outstanding at any one time; and

(e) the Company shall select Interest Periods pertaining to Eurodollar Rate Loans such that, on the date the mandatory repayment is required to be made under paragraph 2.5(b), the outstanding principal amount of all Alternate Base Rate Loans and Eurodollar Rate Loans with Interest Periods ending on the date of such payment shall equal the aggregate principal amount of the Loans required to be repaid on such date.

"LIEN": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or security interest of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"LOAN DOCUMENTS": collectively, this Agreement and the Notes.

"LOAN": a Loan made pursuant to paragraph 2.1.

"MAJORITY BANKS": at any time when no Loans are outstanding, Banks having at least 66 2/3% of the Aggregate Commitments, at any time when Loans are outstanding, Banks holding at least 66 2/3% of the outstanding Loans.

"MULTIEMPLOYER PLAN": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NON-CONSENTING BANK": as defined in paragraph 2.14.

"NOTES": the Revolving Credit Notes and/or the Term Notes, as applicable.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any Governmental Body succeeding to the functions thereof.

"PERSON": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Body or any other entity of whatever nature.

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"PLAN": any pension plan which is covered by Title IV of ERISA and in respect of which the Company or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

"PROPERTY": all types of real, personal, tangible, intangible or mixed property.

"REGULATION D": Regulation D of the Board of Governors of the Federal Reserve System, as amended from time to time.

"REPLACEMENT BANK": as defined in paragraph 2.14.

"REPORTABLE EVENT": any event described in Section 4043(b) of ERISA, other than an event with respect to which the 30-day notice requirement has been waived.

"REVOLVING CREDIT NOTES": as defined in paragraph 2.3.

"REVOLVING CREDIT TERMINATION DATE": the date which is three hundred sixty-four (364) days after the Effective Date or any date subsequent thereto resulting from an extension of the Revolving Credit Termination Date pursuant to paragraph 2.14.

"SPECIAL COUNSEL": Bingham, Dana & Gould, or such other firm

selected by the Agent.

"SUBSIDIARY": any corporation a majority of the voting shares of which are at the time owned by the Company or by other subsidiaries of the Company or by the Company and other subsidiaries of the Company.

"TAXES": any present or future income, stamp or other taxes, levies, imposts, duties, fees, assessments, deductions, withholdings, or other like charges, now or hereafter imposed, levied, collected, withheld, or assessed by any Governmental Body.

"TERM NOTES": as defined in paragraph 2.15 hereof.

"TERMINATION DATE": in the event the Company elects to extend the scheduled maturity of the Loans in accordance with the terms of paragraph 2.15 hereof, the date which is two (2) years after the then scheduled Revolving Credit Termination Date.

"TYPE": Loans made hereunder as Alternate Base Rate Loans or Eurodollar Rate Loans, as the case may be.

1.2 OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in this Agreement shall have the meanings given such terms herein when used in any certificate, opinion or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

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(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Company not defined in paragraph 1.1, and accounting terms partly defined in paragraph 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and paragraph, schedule and exhibit references contained herein shall refer to paragraphs hereof or schedules or exhibits hereto unless otherwise expressly provided herein. The word "or" shall not be exclusive.

PRELIMINARY MATTERS

The Company desires to request that Loans be made during the three hundred sixty-four (364) day period commencing on the

Effective Date and ending on the Revolving Credit Termination Date in an aggregate amount not to exceed the Aggregate Commitments. Loans which are outstanding on the Revolving Credit Termination Date are to begin amortizing as required under paragraph 2.5(b). The Revolving Credit Termination Date is subject to being extended for successive one-year periods pursuant to paragraph 2.14. For the purpose of computing interest on the Loans, Loans may be requested by the Company as Alternate Base Rate Loans or Eurodollar Rate Loans (each, a Type of Loan) and shall bear interest at the Alternate Base Rate or Eurodollar Rate plus the Applicable Margin with respect to each thereof as provided in paragraph 2.7. During the period from the Revolving Credit Termination Date to and including the Termination Date the Company may not effect borrowings which would increase the outstanding principal balance of Loans hereunder, but may convert and continue Loans as provided in paragraph 2.6.

2. AMOUNT AND TERMS OF LOANS.

2.1 LOANS. Subject to the terms and conditions of this Agreement, each Bank severally agrees to make Loans to the Company from time to time on and after the Effective Date to, but excluding, the Revolving Credit Termination Date, provided that the aggregate unpaid principal amount of all Loans due to each Bank at any one time shall not exceed an amount equal to such Bank's Commitment, and provided further that the aggregate unpaid principal amount of the Loans at any one time outstanding shall not exceed the lesser of (i) the Aggregate Commitments and (ii) the aggregate outstanding principal balance of all Loans permitted to be outstanding hereunder after giving effect to the mandatory prepayments required to be made under paragraph 2.5(b). During the period from the Effective Date to the Revolving Credit Termination Date, the Company may borrow, repay and reborrow hereunder, and may convert all or any part of the Loans from one Type to another Type or continue all or any part of the Loans as the same Type in accordance with and subject to the terms and provisions hereof. In the event the Company elects to extend the scheduled maturity of the Loans in accordance with paragraph

2.15 hereof, during the period from and after the Revolving Credit Termination Date to the Termination Date, the Company may prepay the Loans and may convert all or any part of the Loans from one Type to Loans of another Type or continue all or any part of the Loans as the same Type, all in accordance with and subject to the terms and provisions hereof.

2.2 PROCEDURE FOR BORROWINGS. The Company may effect a Borrowing on any Business Day occurring on or after the Effective Date by giving the Agent an irrevocable telephonic (to be promptly confirmed in writing) or written notice of borrowing (each, a "Borrowing Request" in the form of Exhibit B) (which Borrowing Request must be received by the Agent (a) prior to 10:00 A.M., Boston time, two Business Days prior to the requested Borrowing Date, if the Company is requesting that Eurodollar Rate Loans be made as part of such Borrowing, and (b) prior to 10:00 A.M., Boston time, one Business Day prior to the requested Borrowing Date, if the Company is requesting that Alternate Base Rate Loans be made as part of such Borrowing), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether such Borrowing is to consist of, Eurodollar Rate Loans, Alternate Base Rate Loans, or a combination thereof, and (iv) if the Loans are to be Eurodollar Rate Loans, the length of the initial Interest Period for each thereof. Each Borrowing shall be in an aggregate principal amount equal to or greater than \$1,000,000 or, if less, the undrawn balance of the Aggregate Commitments. The principal amount of each Bank's Loan made on a Borrowing Date shall be in an amount equal to such Bank's Commitment Percentage of the Loans made on such Borrowing Date. Subject to the provisions of paragraphs 2.7 and 2.8, Loans may be Alternate Base Rate Loans or Eurodollar Rate Loans, or any combination thereof. Upon receipt of each Borrowing Request from the Company, the Agent shall promptly notify each Bank thereof (such notice to be promptly confirmed in writing). Each Bank will make the amount of its Commitment Percentage of each Borrowing available to the Agent for the account of the Company at the office of the Agent set forth in paragraph 11.1, in the case of Eurodollar Rate Loans, not later than 12:00 noon, Boston time, and in the case of Alternate Base Rate Loans, not later than 11:00 A.M., Boston time, on the Borrowing Date requested by the Company, in funds immediately available to the Agent at such office. Amounts so made available to the Agent on a Borrowing Date will, subject to the satisfaction of the terms and conditions of this Agreement as determined by the Agent, be made available on such date to the Company by the Agent at the office of the Agent specified in paragraph 11.1 by crediting the account of the Company on the books of such office with the aggregate of said amounts, in like funds as received by the Agent. Unless the Agent shall have received prior notice from a Bank (by telephone or otherwise, such notice to be promptly confirmed by telex, telecopy or other writing) that such Bank will not make available to the Agent such Bank's pro rata share of the Loans requested by the Company, the Agent may assume that such Bank has made such share available to the Agent on such Borrowing Date in accordance with this paragraph, provided that such Bank received notice of the proposed borrowing from the Agent, and the Agent may, in reliance upon such assumption, make available to the Company on such Borrowing Date a corresponding amount. If and to the extent such Bank shall not have so made such pro rata share available to the Agent on such Borrowing Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included

in such period, TIMES (ii) the amount of such Bank's Commitment Percentage of such Loans, TIMES (iii) a fraction, the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which the amount of such Bank's Commitment Percentage of such Loans shall become immediately available to the Agent, and the denominator of which is 365. If such Bank shall pay to the Agent such amount, such amount so paid shall constitute such Bank's Loan as part of such Loans for purposes of this Agreement, which Loan shall be deemed to have been made by such Bank on the date such amount is so paid, but without prejudice to the Company's rights against such Bank. If and to the extent such Bank shall not have so made such pro rata share available to the Agent within three days following such Borrowing Date, the Company shall pay to the Agent forthwith on demand (but without duplication) an amount equal to such Bank's Commitment Percentage of such Loans, together with interest thereon for each day from the date such amount is made available to the Company until the date such amount is paid to the Agent, at the applicable interest rate for such Loans as set forth in paragraph 2.7. Such payment by the Company, however, shall be without prejudice to its rights against such Bank.

2.3 REVOLVING CREDIT NOTES. Loans made by each Bank shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit D, with appropriate insertions therein (as endorsed and as amended or otherwise modified from time to time, a "Revolving Credit Note" and, collectively, the "Revolving Credit Notes"), payable to the order of such Bank and representing the obligation of the Company to pay the aggregate unpaid principal amount of all Loans made by such Bank, with interest thereon as prescribed or determined herein. Each Bank is hereby authorized to record the date and amount of each Loan made by such Bank and the other information applicable thereto, and each payment or prepayment of principal of, such Loan, on the applicable grid (and any continuations thereof) annexed to and constituting a part of its Revolving Credit Note. No failure to so record or any error in so recording shall affect the obligation of the Company to repay such Loans, with interest thereon, as herein provided. Each Revolving Credit Note shall (a) be dated the date the initial Loans are made, (b) be stated to mature on the Revolving Credit Termination Date, and (c) bear interest for the period from and including the date thereof on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided herein.

2.4 VOLUNTARY REDUCTIONS OF THE AGGREGATE COMMITMENTS; TERMINATION.

(A) VOLUNTARY REDUCTIONS. During the period from the Effective Date to the Revolving Credit Termination Date, the Company shall have the right, upon at least two Business Days' prior written notice to the Agent, to reduce permanently the Aggregate Commitments in whole at any time, or in part from time to time, without premium or penalty, provided that (i) each partial reduction of the Aggregate Commitments shall be in an amount equal to at least \$1,000,000, or such amount plus a whole multiple of \$500,000, and (ii) the Aggregate Commitments shall not be reduced to an amount less than the aggregate principal balance of Loans outstanding on the date of such reduction (after giving effect to reductions in such balance made on such date). Upon the Aggregate Commitments being permanently reduced to zero prior to the Revolving Credit Termination Date and upon payment in full of the Loans

and all other sums due hereunder and under the Revolving Credit Notes, or upon payment in full of all sums due hereunder and under the Term Notes after the Revolving Credit Termination Date, this Agreement shall be deemed terminated, except to the extent that any provisions hereof expressly survive such payment.

(B) GENERAL. Reductions of the Aggregate Commitments under clause (a) above shall reduce each Bank's Commitment pro rata according to the Commitment Percentage of such Bank. The Agent shall promptly notify each Bank of each reduction in the Aggregate Commitments under clause (a) above upon its receipt of notice thereof, and remit to each Bank its pro rata share of any accompanying prepayments of the Loans according to the outstanding principal balance of the Loans. Simultaneously with each reduction of the Aggregate Commitments under this paragraph 2.4, the Company shall prepay the Loans in the amount, if any, by which the aggregate unpaid principal balance of the Loans exceeds the amount of the Aggregate Commitments as so reduced.

If any prepayment is made under this paragraph 2.4 with respect to any Eurodollar Rate Loans, in whole or in part, prior to the last day of the applicable Interest Period with respect thereto, the Company agrees that it shall indemnify the Banks in accordance with paragraph 2.11. After giving effect to any prepayment with respect to Eurodollar Rate Loans, no Eurodollar Rate Loans made (whether as a result of Borrowing or a conversion) on the same date and having the same Interest Period shall be outstanding in an aggregate principal amount of less than \$1,000,000.

2.5 PREPAYMENTS AND PAYMENT OF LOANS.

(A) VOLUNTARY PREPAYMENTS. The Company may, at its option, prepay Loans in whole or in part, without premium or penalty, subject to its obligation to indemnify provided in paragraph 2.11 (in the case of Eurodollar Rate Loans), at any time and from time to time upon at least one Business Day's prior irrevocable written notice to the Agent, specifying the amount to be prepaid, and the date and amount of prepayment. Upon receipt of such notice, the Agent shall promptly notify each Bank thereof. Any such notice shall be irrevocable and the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to the date of such payment on the amount being prepaid. Prepayments shall be in an aggregate principal amount of at least \$1,000,000 or, if less, the outstanding principal balance of the Notes, provided, however, that after giving effect to any such prepayment, no Eurodollar Rate Loans made (whether as the result of Borrowing or a conversion) on the same date and having the same Interest Period shall be outstanding in an aggregate principal amount of less than \$1,000,000.

(B) MANDATORY REPAYMENT. On the Revolving Credit Termination Date or, in the event that the Company elects to extend the scheduled maturity in accordance with the terms of paragraph 2.15 hereof, the Termination Date, the Company shall repay in full the aggregate principal balance of all Loans

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outstanding on such date, together with accrued interest on such amount to such date and any Facility Fees, Agent's Fees or other amounts owing hereunder or under the Term Notes.

2.6 CONVERSION OPTIONS.

(A) CONVERSION. The Company may elect from time to time to convert Eurodollar Rate Loans to Alternate Base Rate Loans by giving the Agent at least one Business Day's prior notice of such election, specifying the amount to be so converted, provided, that any such conversion of Eurodollar Rate Loans shall only be made on the last day of the Interest Period applicable thereto. In addition, in the absence of an Event of Default, the Company may elect from time to time to convert Alternate Base Rate Loans to Eurodollar Rate Loans, by giving the Agent at least two Business Day's prior irrevocable notice of such election, specifying the amount to be so converted and the Interest Period selected, provided that any such conversion of Alternate Base Rate Loans to Eurodollar Rate Loans shall only be made on a Business Day. The Agent shall promptly provide the Banks with notice of any such election. Loans may be converted pursuant to this paragraph 2.6, in whole or in part, provided that conversions of Alternate Base Rate Loans to Eurodollar Rate Loans or Eurodollar Rate Loans to Alternate Base Rate Loans shall be in an aggregate principal amount of at least \$1,000,000. After giving effect to any such conversion, no Eurodollar Rate Loans made (whether as the result of a borrowing or a conversion) on the same date and having the same Interest Period shall be outstanding in an aggregate principal amount of less than \$1,000,000. A conversion of a Loan in accordance with this paragraph 2.6 shall not require the Company to comply with the conditions to Borrowing set forth in paragraph 6.

(B) CONTINUATION. Any Eurodollar Rate Loans may be continued as such upon the expiration of any Interest Period with respect thereto by the Company's giving irrevocable written notice to the Agent of its intention to do so two Business Days prior to the last day of such Interest Period, specifying the new Interest Period therefor, provided that (i) if the Company shall fail to give notice as provided above, the relevant Eurodollar Rate Loan shall convert to an Alternate Base Rate Loan

immediately upon the expiration of the then current Interest Period with respect thereto, (ii) any Eurodollar Rate Loans that are being continued as such shall be in an aggregate principal amount of at least \$1,000,000 and (iii) no Eurodollar Rate Loans may be continued as such when any Event of Default has occurred and is continuing, but shall be automatically converted to an Alternate Base Rate Loan on the last day of the Interest Period with respect thereto during which the Agent obtained knowledge of such Event of Default. The Agent shall notify the Banks promptly upon obtaining knowledge that an automatic conversion will occur pursuant to clause (iii) hereof.

2.7 INTEREST RATE AND PAYMENT DATES FOR LOANS.

(A) INTEREST RATES FOR LOANS PRIOR TO MATURITY. During each period set forth on Exhibit B hereto, (i) Loans made as Alternate Base Rate Loans shall bear interest for the period from and including the date thereof, or, in the case of a Loan that has been converted from a Eurodollar Rate Loan, from the Conversion Date thereof, until maturity or until converted into Eurodollar Rate Loans, on the unpaid principal amount thereof at the Alternate Base Rate plus the Applicable Margin for such period based on the Debt Rating of the Company, and (ii) Loans

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made as Eurodollar Rate Loans shall bear interest for each Interest Period with respect thereto on the unpaid principal amount thereof at the applicable rate of interest per annum based on the Eurodollar Rate for each such Interest Period plus the Applicable Margin for such period based on the Debt Rating of the Company, provided that if the Company has no Debt Rating, the Applicable Margin shall be the highest rate per annum applicable to such Loans during the relevant period. Any change in the Applicable Margin with respect to any Loans resulting from a change in the Debt Rating of the Company shall be effective as of the opening of business on the day of the change in the Debt Rating of the Company.

(B) OVERDUE AMOUNTS. If any amounts payable hereunder shall not be paid when due (whether at the stated maturity thereof, by acceleration, notice of intention to prepay or otherwise), such overdue amounts shall bear interest payable on demand at a rate per annum equal to 2% above the sum of the Alternate Base Rate plus the Applicable Margin, if any, for Alternate Base Rate Loans at such time from the date of such nonpayment until paid in full, and whether before or after the entry of any judgment thereon, provided that (i) each such Loan outstanding as a Eurodollar Rate Loan shall bear interest payable on demand at a rate per annum equal to 2% above the sum of the Eurodollar Rate plus the Applicable Margin for such Eurodollar Rate Loan at such time,

from the date of such nonpayment until the end of the Interest Period with respect thereto, and whether before or after the entry of any judgment thereon.

(C) GENERAL. Interest on the Loans shall be payable in arrears on each Interest Payment Date and upon payment (including prepayment) in full thereof; provided, however, that after an Event of Default has occurred and is continuing, interest on all Loans shall be payable on demand made from time to time. At no time shall the interest rate payable on the Loans, together with the Agent's Fees, the Facility Fee and all other fees and amounts payable hereunder and under the Notes, to the extent that any of the same are construed to constitute interest, exceed the maximum rate of interest permitted by law. The Company acknowledges that to the extent interest payable on the Loans is based upon the Alternate Base Rate, such Rate is only one of the bases for computing interest on loans made by the Banks, and by basing interest payable upon the Loans upon the Alternate Base Rate, the Banks have not committed to charge, and the Company has not in any way bargained for, interest based on a lower or the lowest rate at which the Banks may now or in the future make loans to other borrowers.

2.8 SUBSTITUTED INTEREST RATE. In the event that the Agent shall have reasonably determined in good faith (which determination shall be conclusive and binding upon the Company) that by reason of circumstances affecting the London interbank eurodollar market, (i) either adequate and reasonable means do not exist for ascertaining a Eurodollar Rate applicable pursuant to paragraph 2.7(a), or (ii) any Bank shall have notified the Agent that it has reasonably determined in good faith (which determination shall be conclusive and binding on the Company) that the Eurodollar Rate will not adequately and fairly reflect the cost to such Bank of making or maintaining its funding of a Eurodollar Rate Loan with respect to (a) a proposed Loan that the Company has requested be made as a Eurodollar Rate Loan, or (b) a Eurodollar Rate Loan that will result from the requested conversion of any Loan into a Eurodollar Rate Loan (any such Loan being herein called an "AFFECTED LOAN"), the Agent shall promptly notify the Company and

the Banks (by telephone or otherwise) of such determination no later than 10:00 A.M. (Boston time) one Business Day prior to the requested Borrowing Date for such Affected Loan, or the requested Conversion Date of such Loan, as the case may be. If the Agent shall give such notice, the Company may by no later than 11:00 A.M. (Boston time) on the same Business Day, (i) cancel the Borrowing Request with respect to such Affected Loan or request that such Affected Loan be made as an Alternate Base Rate Loan or

(ii) cancel its request to convert to an Affected Loan or request that any Loan that was to have been converted to an Affected Loan be converted to an Alternate Base Rate Loan. Until such notice has been withdrawn by the Agent (by notice to the Company promptly upon the Agent having been notified by such Bank that circumstances would no longer render any Loan an Affected Loan) no further Affected Loans shall be made and Company shall not have the right to convert any Loan to an Affected Loan.

2.9 ILLEGALITY. Notwithstanding any provision hereof to the contrary, if any change in any law, regulation, treaty or directive, or in the interpretation or application thereof, shall make it unlawful for any Bank to make or maintain Eurodollar Rate Loans as contemplated by this Agreement, (a) the commitment of such Bank hereunder to make Eurodollar Rate Loans or to convert Alternate Base Rate Loans to Eurodollar Rate Loans or to continue Eurodollar Rate Loans as such shall forthwith be suspended and (b) such Bank's Loans then outstanding as Eurodollar Rate Loans shall be converted to Alternate Base Rate Loans on the last day of the then current Interest Period applicable thereto, or within such earlier period as required by law. If the commitment of any Bank with respect to Eurodollar Rate Loans is suspended pursuant to this paragraph 2.9 and it shall once again become legal for such Bank to make or maintain its funding of Eurodollar Rate Loans, such Bank's commitment to make or maintain such Eurodollar Rate Loans shall be reinstated. Each Bank agrees to promptly notify the Company and the Agent upon learning of any change referred to above, as well as of any reinstatement of its ability to make and maintain Eurodollar Rate Loans as contemplated by this Agreement.

2.10 INCREASED COSTS. In the event that any change in any law, regulation, treaty or directive or in the interpretation or application thereof by any Governmental Body charged with the administration thereof or compliance by any Bank with any request or directive from any central bank or other Governmental Body:

(i) subjects any Bank to any tax of any kind whatsoever with respect to any Eurodollar Rate Loan or its obligations under this Agreement to make Eurodollar Rate Loans, or changes the basis of taxation of payments to such Bank of principal, interest or any other amount payable hereunder in respect of its Eurodollar Rate Loans (except for imposition of, or change in the rate of, tax on the overall net income of such Bank);

(ii) imposes, modifies or makes applicable any reserve, special deposit, compulsory loan, assessment or similar requirement against assets held by, or deposits of, or advances or loans by, or other credit committed or extended by, or any other acquisition of funds by, any office of such Bank in respect of its Eurodollar Rate Loans which is not otherwise included in the determination of a Eurodollar Rate; or

(iii) imposes on such Bank any other condition with respect to Loans hereunder or the Commitments;

and the result of any of the foregoing is to increase the cost to such Bank of making, renewing, converting or maintaining its Eurodollar Rate Loans, or to reduce any amount receivable in respect of its Eurodollar Rate Loans, then, in any such case, the Company shall promptly pay to such Bank, upon its demand, any additional amounts necessary to compensate such Bank for such additional cost or reduction in such amount receivable. A statement setting forth the calculations of any additional amounts payable pursuant to the foregoing sentence submitted by a Bank to the Company shall be presumed to be correct absent manifest error.

2.11 INDEMNITY. Notwithstanding anything contained herein to the contrary, if the Company shall fail to borrow on a Borrowing Date after it shall have given a Borrowing Request, to the extent only that such Borrowing Request includes Eurodollar Rate Loans, or if the right of the Company to have Eurodollar Rate Loans outstanding hereunder shall be suspended or terminated in accordance with the provisions of this Agreement prior to the last day of the Interest Period applicable thereto, or if, while a Eurodollar Rate Loan is outstanding, any repayment or prepayment of the principal amount of such Eurodollar Rate Loan is made for any reason (including, without limitation, as a result of acceleration or illegality) on a date which is prior to the last day of the Interest Period applicable thereto, the Company agrees to indemnify each Bank against, and to pay on demand directly to such Bank, an amount, if greater than zero, equal to (i):

$$A \times (B - C) \times D$$

$$\frac{\quad}{365}$$

where:

"A" equals the Affected Principal Amount;

"B" equals the Eurodollar Rate (expressed as a decimal), as the case may be, applicable to such Eurodollar Rate Loan;

"C" equals the applicable Eurodollar Rate (expressed as a decimal), as the case may be, in effect on the date of such failure to borrow, termination, prepayment or repayment, based on the applicable rates offered or bid, as the case may be, on such date (or, if no such rate is determinable on such date, the

rate or rates offered or bid, as the case may be, determinable on the date closest thereto), for deposits in an amount equal approximately to the Affected Principal Amount with an Interest Period equal approximately to the period commencing on the first day of such Remaining Interest Period and ending on the last day of such Remaining Interest Period or ending on the last day of the

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applicable Interest Payment Period, as the case may be, as determined by the Bank;

"D" equals the number of days from and including the first day of the Remaining Interest Period to but excluding the last day of such Remaining Interest Payment Period;

and (ii) any other out-of-pocket loss or expense (including any internal processing charge customarily charged by such Bank) suffered by such Bank in liquidating deposits prior to maturity in amounts which correspond to the proposed borrowing, prepayment or repayment. The determination by each Bank of the amount of any such loss or expense shall be presumed to be correct absent manifest error.

2.12 USE OF PROCEEDS. The proceeds of the Loans shall be used exclusively to finance the costs of the Company's gas inventory including supporting commercial paper associated with gas inventory financing.

2.13 CAPITAL ADEQUACY. If either (i) the introduction of, or any change or phasing in of any law or regulation or in the interpretation thereof by any Governmental Body charged with the administration thereof or (ii) compliance with any directive, guideline or request from any central bank or Governmental Body (whether or not having the force of law) promulgated or made after the date hereof (but including, in any event, any law, rule, regulation, interpretation, directive, guideline or request contemplated by the report dated July 1988 entitled "International Convergence of Capital Measurement and Capital Standards" issued by the Basle Committee on Banking Regulations and Supervisory Practices) affects or would affect the amount of capital required or expected to be maintained by a Bank (or any lending office of such Bank) or any corporation directly or indirectly owning or controlling such Bank (or any lending office of such Bank) and such Bank shall have determined that such introduction, change or

compliance has or would have the effect of reducing the rate of return on such Bank's capital or the asset value to such Bank of any Loan made by such Bank as a consequence, directly or indirectly, of its obligations to make and maintain the funding of Loans hereunder to a level below that which such Bank could have achieved but for such introduction, change or compliance (after taking into account such Bank's policies regarding capital adequacy) by an amount deemed by such Bank to be material, then, upon demand by such Bank, the Company shall promptly pay to such Bank such additional amount or amounts as shall be sufficient to compensate such Bank for such reduction on the rate of return. Each Bank shall calculate such amount or amounts payable to it under this paragraph 2.13 in a manner consistent with the manner in which it shall calculate similar amounts payable to it by other borrowers having provisions in their credit agreements comparable to this paragraph 2.13. Each Bank agrees to provide the Company with a certificate setting forth a description of any such amount in respect of which it seeks payment under this paragraph 2.13. Each Bank's determination of such amount or amounts that will compensate such Bank for such reductions shall be presumed correct absent manifest error.

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2.14 EXTENSION OF REVOLVING CREDIT TERMINATION DATE. The Company may, pursuant to a Commitment Extension Request delivered to the Agent and each Bank not less than 60 days prior to the then scheduled Revolving Credit Termination Date, request each Bank to extend its Commitment for an additional three-hundred sixty-four (364) day period expiring on the 364th day of such period (or, if such date is not a Business Day, on the immediately preceding Business Day). Each of the Banks shall, within 30 days of receipt of a Commitment Extension Request from the Company, provide the Company with a non-binding preliminary indication regarding whether such Bank is likely to consent to the extension of its Commitment. If all Banks consent to the extension of their respective Commitments, which consents shall be given no less than 30 days prior to the then scheduled Revolving Credit Termination Date, the Revolving Credit Termination Date shall be so extended. In the event that less than all of the Banks consent to an extension of their respective Commitments, the Revolving Credit Termination Date shall not be extended, unless the Company designates another bank reasonably satisfactory to the Banks willing so to extend the Revolving Credit Termination Date, or one or more of the signatory Banks elect to increase its or their Commitments to the amount of the Commitment of the nonconsenting Bank (any such other bank, including any signatory Bank, to the extent of, and with respect to such an increase in its Commitment, being herein called a "Replacement Bank"), to assume the Commitment and obligations of such nonconsenting Bank or Banks (each, a "Nonconsenting Bank") with respect to its Loans, and to purchase the outstanding Note of such nonconsenting Bank and such Nonconsenting Bank's rights with respect to its Loans, without recourse or warranty, for a purchase price equal to the outstanding principal balance of the Note of such Nonconsenting Bank, plus all interest accrued thereon and all other amounts owing to such Nonconsenting Bank hereunder. Upon such assumption and purchase by a Replacement Bank, and

provided that the Banks (excluding the Nonconsenting Banks and each Replacement Bank) have consented to the Commitment Extension Request prior to the then scheduled Revolving Credit Termination Date, (i) the Revolving Credit Termination Date shall be so extended, (ii) each such Replacement Bank shall be deemed to be a "Bank" for purposes of this Agreement, and (iii) each Nonconsenting Bank shall cease to be a "Bank" for all purposes of this Agreement (except with respect to its rights hereunder to be reimbursed for costs and expenses, and to indemnification with respect to, matters attributable to events, acts or conditions occurring prior to such assumption and purchase) and shall no longer have any obligations hereunder.

Each Bank will use its best efforts to respond promptly to any Commitment Extension Request, provided that no Bank's failure to so respond shall create any claim against it or have the effect of extending the Revolving Credit Termination Date.

2.15 EXTENSION TO TERMINATION DATE. Subject to the terms and conditions hereof, the Company may, upon notice delivered to the Agent and each Bank not less than 10 days prior to the then scheduled Revolving Credit Termination Date, elect to extend the scheduled maturity of the Loans outstanding on the Revolving Credit Termination Date from such date to the Termination Date so long as no Event of Default has occurred and is continuing on the Revolving Credit Termination Date. On the Revolving Credit Termination Date, the Company shall execute and deliver to each Bank a new promissory note in substantially the form of Exhibit E, with appropriate insertions (as endorsed and as amended or otherwise modified from time to

time, a "Term Note" and, collectively, the "Term Notes"), payable to the order of each Bank and representing the obligation of the Company to pay the aggregate unpaid principal amount of all Loans made by such Bank, with interest thereon as prescribed or determined herein. Each Bank is authorized to record each payment or prepayment of principal of the Loans on the applicable grid (and any continuations thereof) connected to and constituting a part of its Term Note. No failure to so record or any error in so recording shall affect the obligation of the Company to repay the Loans, with interest thereon, as herein provided. Each Term Note shall (a) be dated the date of the Revolving Credit Termination Date, (b) be stated to mature on the Termination Date, and (c) bear interest for the period from and including the date thereof on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum determined as provided herein. Upon receipt by each Bank from the Company of its Term Note in accordance with the terms of this #2.15, each Bank will promptly return to the Company the Revolving Credit Note held by such Bank.

2.16 NOTICE OF COSTS; SUBSTITUTION OF BANKS. Each Bank will notify the Company of any event that will entitle such Bank to

compensation under paragraphs 2.10 and 2.13 as promptly as practicable, but in any event within 45 days after an officer of the Bank responsible for matters concerning this Agreement has knowledge of such event. If such Bank fails to give such notice, such Bank shall only be entitled to such compensation for the period commencing on the date of the giving of such notice. Each Bank shall use its best efforts to avoid the need to give a notice under paragraph 2.10 or 2.13 by designating a different Applicable Lending Office outside of the United States if such designation would avoid the need to give such notice and will not, in the sole opinion of such Bank, be disadvantageous to such Bank. In the event the Company receives such notice or is otherwise required under the provisions of paragraphs 2.10 or 2.13 to make payments in a material amount to any Bank, the Company may, so long as no Event of Default shall have occurred and be continuing, elect to substitute such Bank as a party to this Agreement; provided that, concurrently with such substitution, (i) the Company shall pay that Bank all principal, interest and fees and other amounts (including without limitation, amounts, if any, owed under paragraph 2.10, 2.11 or 2.13) owed to such Bank through such date of termination, (ii) another commercial bank satisfactory to the Company and the Agent (or if the Agent is also the Bank to be substituted, the successor Agent) shall agree, as of such date, to become a Bank (whether by assignment or amendment) for all purposes under this Agreement and to assume all obligations of the Bank to be substituted as of such date, and (iii) all documents, supporting materials and fees necessary, in the judgment of the Agent (or if the Agent is also the Bank to be substituted, the successor Agent) to evidence the substitution of such Bank shall have been received and approved by the Agent as of such date.

3. FEES; PAYMENTS.

3.1 FACILITY FEE. The Company agrees to pay to the Agent for the account of the Banks a fee (the "Facility Fee") equal to the rate per annum determined by reference to Exhibit B hereto based upon the Debt Rating of the Company multiplied by the Aggregate Commitment, which Facility Fee shall be payable in arrears on the last day of each March, June, September and

December of each year, commencing on the first such date following the Effective Date and continuing until the later of the Termination Date or the date all sums due hereunder and under the Notes are paid in full; provided that if the Company has no Debt Rating, the Facility Fee shall be determined at the highest rate per annum for the relevant period set forth on Exhibit B.

3.2 FEES OF THE AGENT. The Company agrees to pay to the Agent for its own account, such fees (the "Agent's Fees") for its services hereunder in such amounts and at such times as previously agreed upon by the Company and the Agent.

3.3 COMPUTATION OF INTEREST AND FEES.

(a) Interest in respect of Alternate Base Rate Loans, the Facility Fee and all other fees payable by the Company hereunder shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest in respect of Eurodollar Rate Loans shall be calculated on the basis of a 360-day year for the actual number of days elapsed. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or Eurodollar Rate shall become effective as of the opening of business on the day on which such change shall become effective. The Agent shall, as soon as practicable, notify the Company and the Banks of the effective date and the amount of each such change but failure of the Agent to do so shall not in any manner affect the obligation of the Company to pay interest on the Loans in the amounts and on the dates required.

(b) Each determination of the Alternate Base Rate or the Eurodollar Rate by the Agent pursuant to any provision of this Agreement shall be presumed to be correct absent manifest error.

3.4 PRO RATA TREATMENT AND APPLICATION OF PRINCIPAL PAYMENTS. Each Borrowing by the Company from the Banks, any conversion of Loans from one Type to the same or another Type, and any reduction of the Aggregate Commitments of the Banks, shall be made pro rata according to the Commitment Percentage of each Bank. All payments (including prepayments) to be made by the Company on account of principal and interest on Loans comprising the same Borrowing shall be made pro rata according to the outstanding principal amount of each Bank's Loans. All payments by the Company on all Loans shall be made without set-off or counterclaim and shall be made prior to 12:00 noon, Boston time, on the date such payment is due, to the Agent for the account of the Banks at the Agent's office specified in paragraph 11.1, in each case in lawful money of the United States of America and in immediately available funds, and, as between the Company and the Banks, any payment by the Company to the Agent for the account of the Banks shall be deemed to be payment by the Company to the Banks; provided, however, that any payment received by the Agent on any Business Day after 12:00 noon shall be deemed to have been received on the immediately succeeding Business Day. The Agent shall distribute such payments to the Banks promptly upon receipt in like funds as received. If any payment hereunder or on any Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day (unless, in the case of Eurodollar Loans, the result of such extension would be to extend such

payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

4 REPRESENTATIONS AND WARRANTIES. In order to induce the Agent and the Banks to enter into this Agreement, the Company hereby represents and warrants to the Agent and to each Bank that:

4.1 SUBSIDIARY. The Company has the Subsidiaries set forth in Exhibit G. The shares of each corporate Subsidiary owned by the Company are duly authorized, validly issued, fully paid and non-assessable and are owned free and clear of any Liens, except Liens permitted by paragraph 8.2.

4.2 CORPORATE EXISTENCE AND POWER. Each of the Company and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and has all requisite corporate power and authority to own its Property and to carry on its business as now conducted. Each of the Company and each Subsidiary is in good standing and duly qualified to do business in each jurisdiction in which the failure to so qualify would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis.

4.3 CORPORATE AUTHORITY. The Company has full corporate power and authority to enter into, execute, deliver and carry out the terms of this Agreement and to make the borrowings contemplated hereby, to execute, deliver and carry out the terms of the Notes and to incur the obligations provided for herein and therein, all of which have been duly authorized by all necessary corporate action on its part and are in full compliance with its Charter and By-Laws. No consent or approval of, or exemption by, shareholders or any Governmental Body is required to authorize, or is required in connection with the execution, delivery and performance of, this Agreement and the Notes, or is required as a condition to the validity or enforceability of this Agreement and the Notes, except for the approval of the DPU referred to in paragraph 5.6 which has been duly obtained and which remains in full force and effect and is final and is not subject to appeal.

4.4 BINDING AGREEMENT. This Agreement constitutes and the Notes, when issued and delivered pursuant hereto for value received, will constitute, the valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by equitable principles and by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally.

4.5 LITIGATION. Except for the matters set forth in the Designated Documents, there are no actions, suits or arbitration proceedings (whether or not purportedly on behalf of the

Company or any Subsidiary) pending or to the knowledge of the management of the Company threatened against the Company or any Subsidiary, or maintained by the Company or any Subsidiary, in law or in equity before any Governmental Body which, if decided adversely to the Company or such Subsidiary, would result in a material adverse change in the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis, after giving effect to reserves reflected in the Financial Statements or the footnotes thereto. There are no proceedings pending or threatened against the Company or any Subsidiary which call into question the validity and enforceability of this Agreement or the Notes.

4.6 NO CONFLICTING AGREEMENTS. Except for the matters set forth in Designated Documents, neither the Company nor any Subsidiary is in default under any agreement to which it is a party or by which it or any of its Property is bound the effect of which would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis. No provision of the Charter or By-Laws of the Company, and no provision of any existing mortgage, indenture (including the Indenture), contract, agreement, statute (including, without limitation, any applicable usury or similar law), rule, regulation, judgment, decree or order binding on the Company or any Subsidiary would in any way prevent the execution, delivery or carrying out of the terms of this Agreement and the Notes, and the taking of any such action will not constitute a default under, or result in the creation or imposition of, or obligation to create, any Lien not permitted by paragraph 8.2 upon the Property of the Company or any Subsidiary pursuant to the terms of any such mortgage, indenture, contract or agreement.

4.7 TAXES. Each of the Company and its Subsidiaries has filed or caused to be filed all tax returns material to the Company and its Subsidiaries required by law to be filed, and has paid, or has made adequate provision for the payment of, all taxes shown to be due and payable on said returns or in any assessments made against it. No tax liens have been filed and no claims are being asserted with respect to such taxes which are required by GAAP to be reflected in the Financial Statements and are not so reflected therein. The Internal Revenue Service has audited and settled upon, or the applicable statutes of limitation have run upon, all Federal income tax returns of the Company and its Subsidiaries through the tax year ended December 31, 1987, and, to the extent required by GAAP, the results of all such audits are reflected in the Financial Statements. The charges, accruals and reserves on the books of the Company and its Subsidiaries with respect to all taxes are considered by the management of the Company to be adequate, and the Company knows of no unpaid assessment which is due and payable against the Company or any of the Subsidiaries which would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis, except such thereof as are being contested in good faith and by appropriate proceedings diligently conducted and for which adequate reserves have been set aside in accordance with GAAP.

4.8 FINANCIAL STATEMENTS. The Company heretofore delivered to each Bank (i) copies of the Consolidated Balance Sheets at December 31, 1991 and

Consolidated Statements of Income, Retained Earnings and Changes in Financial Position for the years then ended and (ii) copies of the Consolidated quarterly reports of the Company and its Subsidiaries as of March 31, 1993, June 30, 1993 and September 30, 1993, each containing a Consolidated balance sheet and Consolidated statements of income and cash flows of the Company and its Subsidiaries (the statements in (i) and (ii) above being sometimes referred to herein as the "Financial Statements"). The financial statements set forth in (i) above were audited and reported on by the Accountants on February 25, 1993, and the financial statements set forth in (ii) above were prepared by the Company. The Financial Statements fairly present the Consolidated financial condition and the Consolidated results of operations of the Company and its Subsidiaries as of the dates and for the periods indicated therein, and have been prepared in conformity with GAAP. Except (a) as reflected in the financial statements specified in (i) above or in the footnotes thereto, or (b) as otherwise disclosed to the Banks in a writing specifically referring to this paragraph 4.8, neither the Company nor any Subsidiary has any obligation or liability of any kind (whether fixed, accrued, contingent, unmatured or otherwise) which is material to the Company and its Subsidiaries on a Consolidated basis and which, in accordance with GAAP, should have been shown on such financial statements and were not, other than those incurred in the ordinary course of their respective businesses since December 31, 1992. Since December 31, 1992, each of the Company and each Subsidiary has conducted its business only in the ordinary course, and as of the Effective Date there has been no adverse change in the financial condition, Property, operations or prospects of the Company and its Subsidiaries which is material to the Company and its Subsidiaries on a Consolidated basis.

4.9 COMPLIANCE WITH APPLICABLE LAWS. Except as set forth in the Designated Documents, neither the Company nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Body applicable to the Company or such Subsidiary which default would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis. Except as set forth in the Designated Documents, each of the Company and each Subsidiary is complying in all material respects with all applicable material statutes and regulations of all Governmental Bodies, including ERISA and all Environmental Laws, a violation of which would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and each Subsidiary on a Consolidated basis.

4.10 GOVERNMENTAL REGULATIONS. The Company is not an "Investment Company" as such term is defined in the Investment Company Act of 1940, as amended.

4.11 PROPERTY. Each of the Company and each Subsidiary has good and marketable title to all of its Property, title to which is material to the Company and its Subsidiaries on a Consolidated basis, subject to no Lien,

except as permitted by paragraph 8.2.

4.12 FEDERAL RESERVE REGULATIONS. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the

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Federal Reserve System, as amended. No part of the proceeds of the Loans will be used (i) to purchase or carry any such margin stock, (ii) to extend credit to others for the purpose of purchasing or carrying any margin stock, (iii) for a purpose which violates the provisions of Regulations G, U and X of the Board of Governors of the Federal Reserve System, as amended, or (iv) for a purpose which violates any other applicable law, rule or regulation of any Governmental Body. Not more than 25% of the value of the aggregate of the assets of the Company subject to the provisions of this Agreement is represented by margin stock within the meaning of said Regulation U.

4.13 NO MISREPRESENTATION. No representation or warranty contained herein and no certificate or report furnished or to be furnished by the Company in connection with the transactions contemplated hereby, contains or will contain a misstatement of material fact, or omits or will omit to state a material fact required to be stated in order to make the statements herein or therein contained not misleading in the light of the circumstances under which made.

4.14 PENSION PLANS. Each Plan, and to the best of the Company's knowledge each Multiemployer Plan, established or maintained by the Company and its Subsidiaries, is in material compliance with the applicable provisions of ERISA and the Code, and the Company and its Subsidiaries have filed all material reports required to be filed with respect to each such Plan by ERISA and the Code. The Company and its Subsidiaries have met all requirements with respect to funding the Plans imposed by ERISA or the Code. Since the effective date of ERISA, there have not been, nor are there now existing, any events or conditions which would permit any Plan and to the best of the Company's knowledge any Multiemployer Plan to be terminated under circumstances which would cause the lien provided under Section 4068 of ERISA to attach to the Property of the Company or any of its Subsidiaries. Since the effective date of ERISA, no reportable event as defined in Title IV of ERISA, which constitutes grounds for the termination of any Plan and to the best of the Company's knowledge any Multiemployer Plan, has occurred and no Plan or any related trust has been terminated in whole or in part which would have a material adverse effect on the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis.

4.15 PUBLIC UTILITY HOLDING COMPANY ACT. The Company and its Subsidiaries are "subsidiaries" of a "holding company" which is exempt under the Public Utility Holding Company Act of 1935, pursuant to orders of the Securities Exchange Commission, which orders remain in full force and effect.

4.16 APPROVALS. The Company has obtained all authorizations, approvals or consents of and made all filings or registrations with all Governmental Bodies as are necessary to be obtained or made by the Company for the execution, delivery or performance by the Company of this Agreement or the Notes and all such authorizations, approvals and consents are in full force and effect.

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4.17 NET PLANT SURPLUS. On each Borrowing Date on which the outstanding principal balance of Loans hereunder would increase, the Company will have sufficient net plant surplus within the meaning of DPU Order 93-192 to effect the borrowing on such date.

5. CONDITIONS OF BORROWING - FIRST BORROWING. In addition to the requirements set forth in paragraph 6, the obligations of the Banks to make the first Loans on the initial Borrowing Date are subject to the fulfillment of the following conditions precedent:

5.1 EVIDENCE OF CORPORATE ACTION. The Agent shall have received a certificate, dated the first Borrowing Date, of the Secretary or an Assistant Secretary of the Company (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing other necessary corporate action (in form and substance satisfactory to the Agent and to Special Counsel) taken by the Company to authorize this Agreement, the Notes and the borrowings hereunder, (ii) attaching a true and complete copy of the Charter and the By-Laws of the Company, and (iii) setting forth the incumbency of the officer or officers of the Company who sign this Agreement and the Notes, including therein a signature specimen of such officer or officers, together with a certificate of the Secretary of State of the Commonwealth of Massachusetts as to the good standing of, and the payment of franchise taxes therein by, the Company, together with such other documents as the Agent or Special Counsel shall reasonably require.

5.2 REVOLVING CREDIT NOTES. The Agent shall have received and be in possession of the Revolving Credit Notes executed by the duly authorized officer or officers of the Company.

5.3 APPROVAL OF SPECIAL COUNSEL. All legal matters incident to the making of the first Loans on the initial Borrowing Date shall be satisfactory to Special Counsel, and the Agent shall have received from Special Counsel an opinion addressed to the Banks and to the Agent, dated the first Borrowing Date, substantially in the form of Exhibit H.

5.4 OPINION OF COUNSEL TO THE COMPANY. The Agent shall have received the opinion of Jennifer L. Miller, General Counsel to the Company, or her successor, if any, addressed to the Banks and to the Agent, dated the first Borrowing Date, substantially in the form of Exhibit I.

5.5 FEES. The fees of Special Counsel shall have been paid.

5.6 DPU APPROVAL. The Agent shall have received true copies for each Bank of the order or orders of the DPU approving this Agreement in the form executed and delivered to the Agent by the Company and each Bank with no material changes to this Agreement. Such approval shall be final and shall no longer be subject to appeal, shall be in full force and effect, shall be in form and substance satisfactory to the Agent and Special Counsel. In addition, the

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Agent shall have received a certificate of the Secretary of the Company to the effect that no other consents, approvals or licenses are necessary in connection with the borrowings hereunder.

6. CONDITIONS OF BORROWING - ALL BORROWINGS. The obligations of the Banks to make all Loans hereunder on each Borrowing Date are subject to the fulfillment of the following conditions precedent:

6.1 COMPLIANCE. On each Borrowing Date, and after giving effect to the Loans to be made on such date (a) the Company and each Subsidiary shall be in compliance with all of the terms, covenants and conditions of this Agreement, (b) there shall exist no Event of Default, and (c) the representations and warranties contained in this Agreement, or otherwise in writing made by the Company in connection herewith shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on such Borrowing Date (except such thereof as specifically refer to an earlier date) and the Agent shall have received a certificate, dated the Borrowing Date, and signed on behalf of the Company by a duly authorized officer of the Company, to the same effect as all of the foregoing matters.

6.2 LOAN CLOSINGS. All documents required by paragraphs 5 and 6 of this Agreement to be executed and/or delivered to the Agent on or before the applicable Borrowing Date shall have been executed and delivered at the office of the Agent set forth in paragraph 11 on or before such Borrowing Date.

6.3 APPROVAL OF COUNSEL. All legal matters in connection with the making of each Loan on Borrowing Date shall be reasonably satisfactory to such counsel with whom the Agent may deem it necessary to consult.

6.4 BORROWING REQUEST. The Agent shall have received a Borrowing Request.

6.5 OTHER DOCUMENTS. The Agent shall have received such other documents as the Agent shall reasonably require.

7. AFFIRMATIVE COVENANTS.

The Company covenants and agrees that on and after the Effective Date until the later of the termination of the Commitments or the payment in full of the Notes and the performance by the Company of all other obligations of the Company hereunder, unless the Agent shall otherwise consent in writing as provided in paragraph 13, the Company will:

7.1 CORPORATE EXISTENCE. Maintain, and cause its Subsidiaries to maintain its corporate existence, in good standing in the jurisdiction of its incorporation or organization and

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in each other jurisdiction in which the character of the Property owned or leased by it therein or the transaction of its business makes such qualification necessary, except in the case of any Subsidiary where the failure so to maintain or qualify would not have a material adverse effect on the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis, and except as otherwise expressly permitted hereunder.

7.2 TAXES. Pay and discharge when due, and cause each Subsidiary so to do, all taxes, assessments and governmental charges and levies upon the Company and each Subsidiary, and upon the income, profits and Property of the Company and each Subsidiary, which if unpaid would have a material adverse effect on the financial condition, Property or operations of the company and its Subsidiaries on a Consolidated basis or become a Lien not permitted under paragraph 8.2, unless and to the extent only that such taxes, assessments, charges and levies, (a) shall be contested in good faith and by appropriate proceedings diligently conducted by the Company or such Subsidiary, provided that such reserve or other appropriate provision, if any, as shall be required in accordance with GAAP shall have been made therefor, or (b) are not in the aggregate material to the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis.

7.3 INSURANCE. Maintain, and cause each Subsidiary to maintain, insurance with financially sound insurance carriers on such of its Property in such amounts, subject to such deductibles and self-insured amounts and against such risks as is customarily maintained by similar businesses, including, without limitation, public liability, workers' compensation and employee fidelity insurance.

7.4 PAYMENT OF INDEBTEDNESS AND PERFORMANCE OF OBLIGATIONS. Pay and discharge promptly, and cause its Subsidiaries to so pay and discharge, all lawful indebtedness, obligations and claims for labor, materials and supplies or otherwise which, if unpaid, would (a) have a material adverse effect on the

financial condition, Property or operations of the Company and its subsidiaries on a Consolidated basis, or (b) become a Lien not permitted by paragraph 8.2, provided that neither the Company nor any Subsidiary shall be required to pay and discharge or cause to be paid and discharged any such indebtedness, obligation or claim so long as the validity thereof shall be contested in good faith and by appropriate proceedings diligently conducted by the Company or such Subsidiary, and further provided that such reserve or other appropriate provision as shall be required in accordance with GAAP shall have been made therefor.

7.5 OBSERVANCE OF LEGAL REQUIREMENTS; ERISA. Observe and comply, and cause each Subsidiary to observe and comply, in all material respects with all laws (including ERISA and all Environmental Laws), ordinances, orders, judgments, rules, regulations, certifications, franchises, permits, licenses, directions and requirements of all Governmental Bodies, which now or at any time hereafter may be applicable to the Company or such Subsidiary, a violation of which would have a material adverse effect on the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis, except such thereof as shall be contested in good faith and by appropriate proceedings diligently conducted by the Company or

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such Subsidiary, provided that such reserve or other appropriate provision as shall be required in accordance with GAAP shall have been made therefor.

7.6 FINANCIAL STATEMENTS AND OTHER INFORMATION. Furnish to the Agent and the Banks:

(a) as soon as available, but in no event more than 120 days after the close of each fiscal year of the Company, copies of its audited Consolidated Balance Sheet and the related audited Consolidated Statements of Income and Retained Earnings and Cash Flows for such fiscal year setting forth in each case in comparative form the corresponding figures for the preceding fiscal year all reported by the Accountants which report shall state that said financial statements fairly present the financial position and results of operations of the Company as at the end of and for such fiscal year except as specifically stated therein, as of and through the end of such fiscal year, prepared in accordance with GAAP and accompanied by a report with respect thereto of the Accountants, together with a certificate signed on behalf of the Company by the principal financial officer thereof to the effect that having read this Agreement, and based upon an examination which in the opinion of such officer was sufficient to enable such officer to make an informed statement, (x) such statements fairly present the financial position and results of the operations of the Company and its Subsidiaries on a Consolidated basis to the best of such officer's knowledge, and (y) nothing came to such officer's attention which caused such officer to believe that an Event of Default has occurred, or if an Event of Default has occurred, stating the facts with respect thereto and whether the same has been cured prior to the date of such certificate, and, if not, what action is proposed to be taken with respect thereto;

(b) as soon as available, but in no event more than 60 days after the close of each quarter (except the last quarter) of each fiscal year of the Company a Consolidated Balance Sheet and Consolidated Statements of Income and Cash Flows of the Company and its Subsidiaries as of and through the end of such quarter, together with a certificate signed on behalf of the Company by the principal financial officer thereof to the effect that having read this Agreement, and based upon an examination which in the opinion of such officer was sufficient to enable such officer to make an informed statement, (x) such statements fairly present the financial position and results of the operations of the Company and its Subsidiaries on a Consolidated basis to the best of such officer's knowledge, and (y) nothing came to such officer's attention which caused such officer to believe that an Event of Default has occurred, or if an Event of Default has occurred, stating the facts with respect thereto and whether the same has been cured prior to the date of such certificate, and, if not, what action is proposed to be taken with respect thereto;

(c) prompt notice if: (x) any obligation of the Company (other than its obligations under this Agreement or the Notes) or any Subsidiary for the payment of any Funded Debt in excess of \$1,000,000 is not paid when due or within any grace period for the payment thereof or is declared or shall become due and payable prior to its stated maturity, or (y) to the knowledge of any Authorized Signatory of the Company there shall occur and be continuing an event which constitutes, or which with the giving of notice or the lapse of time, or both, would constitute an

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event of default under any agreement with respect to Funded Debt of the Company or any Subsidiary (including this Agreement);

(d) prompt written notice in the event that (i) the Company or any Subsidiary shall fail to make any payments when due and payable under any Plan or Multiemployer Plan, or (ii) the Company or any Subsidiary shall receive notice from the Internal Revenue Service or the Department of Labor that the Company or such Subsidiary shall have failed to meet the minimum funding requirements of any Plan or Multiemployer Plan, including therewith a copy of such notice; and

(e) promptly upon becoming available, copies of all regular, periodic or special reports or other material which may be filed with or delivered by the Company to the Securities and Exchange Commission, or any other Governmental Body succeeding to the functions thereof;

(f) prompt written notice in the event the Debt Rating of the Company shall change or the Company shall have no Debt

Rating; and

(g) such other information and reports relating to the affairs of the Company and its Subsidiaries, as the Agent or any Bank at any time or from time to time may reasonably request.

7.7 INSPECTION. Permit representatives of the Agent or any Bank to visit the offices of the Company and any Subsidiary, to examine the books and records thereof and to make copies or extracts therefrom, and to discuss the affairs of the Company and such Subsidiary with the officers, including the financial officers, thereof, at reasonable times, at reasonable intervals and with reasonable prior notice.

8. NEGATIVE COVENANTS. The Company covenants and agrees that from the Effective Date until the later of the termination of the Commitments or the payment in full of the Notes and the performance by the Company of all other obligations of the Company hereunder, unless the Agent shall otherwise consent in writing as provided in paragraph 13, the Company will not:

8.1 FUNDED DEBT. Create, incur, assume, guarantee or suffer to exist any Funded Debt, or permit any Subsidiary so to do, unless the same is permitted or allowed under the provisions of the Indenture specifically relating to restrictions on Funded Debt, which provisions are incorporated by reference herein as if fully set forth herein.

8.2 LIENS. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, to secure any indebtedness or other obligation, or permit any Subsidiary so to do, unless the same is permitted or allowed under the Indenture, the provisions of which specifically relating to restrictions on Liens are incorporated by reference

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herein as if fully set forth herein substituting, however, the words "all obligations of the Company hereunder" for the words "2001-B Debentures" (or any comparable reference to indebtedness secured under the Indenture).

8.3 MERGERS AND CONSOLIDATIONS. Except with the prior written consent of the Majority Banks, consolidate with or merge into any other Person, or permit any Subsidiary so to do, except that (i) a Subsidiary may consolidate with or merge into another Subsidiary and (ii) a Subsidiary may consolidate with or merge into the Company provided that the Company is the survivor thereof.

8.4 SALE OF PROPERTY. Except with the prior written consent of the Majority Banks, sell, lease or otherwise dispose

of any significant part of its Property (including, without limitation, the right to receive income), or permit any Subsidiary so to do, except (i) in the ordinary course of business, (ii) obsolete or worn out Property which is no longer used or useful to the Company or such Subsidiary, and (iii) a Subsidiary may sell, lease or otherwise dispose of Property to the Company or to another Subsidiary.

8.5 DIVIDENDS; DISTRIBUTIONS. Declare or pay any dividends (other than dividends payable in shares of common stock of the Company) on, or make any other distribution in respect of, any shares of any class of capital stock of the Company, or apply any of its property or assets to, or set aside any sum for, the payment, purchase, redemption or other acquisition or retirement of, or permit any Subsidiary to purchase, any shares of any class of capital stock of the Company, unless the same is permitted or allowed under the provisions of the Indenture specifically relating to the same, which provisions are incorporated by reference herein as if fully set forth herein.

9. EVENTS OF DEFAULT. The following shall each constitute an Event of Default hereunder:

(a) the failure of the Company to pay the principal of any Loan when due; or

(b) the failure of the Company to make payment of interest on any of the Notes when due and payable and such failure shall continue unremedied for a period of five Business Days after the same shall become due; or

(c) the failure of the Company to make payment of the Facility Fee, the Agent's Fees or, except as otherwise specifically provided herein, any other amount payable hereunder within ten Business Days after receipt by the Company of written notice from the Agent that such payment is due and payable; or

(d) the failure of the Company to observe or perform any covenant or agreement contained in paragraph 8; or

(e) the failure of the Company to observe or perform any other term, covenant, or agreement contained in this Agreement and such failure shall have continued unremedied for a period of 30 days after written notice, specifying such failure and requiring it to be remedied, shall have been given to the Company by the Agent; or

(f) any material representation or warranty made herein or in any certificate, report, or notice delivered or to be delivered by the Company pursuant hereto, shall prove to have been incorrect in any material respect when made; or

(g) any obligation of the Company (other than its obligations under this Agreement and the Notes), or of any Subsidiary, whether as principal, guarantor, surety or other obligor, for the payment of any Funded Debt in excess of \$3,000,000, (i) shall become or shall be declared to be due and payable prior to its stated maturity, or (ii) shall not be paid when due or within any grace period for the payment thereof; or

(h) the Company or any Subsidiary shall (i) make an assignment for the benefit of creditors, (ii) admit in writing its inability to pay its debts as they become due or generally fail to pay its debts as they become due, (iii) file a voluntary petition in bankruptcy, (iv) become insolvent (however such insolvency shall be evidenced), (v) file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment of debt, liquidation or dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, (vi) petition or apply to any tribunal for any trustee, receiver, custodian, liquidate or fiscal agent for any substantial part of its Property, (vii) be the subject of any proceeding referred to in clause (vi) above or an involuntary bankruptcy petition filed against it which remains undismissed for a period of 90 days, (viii) file any answer admitting or not contesting the material allegations of any such petition filed against it, or of any order, judgment or decree approving such petition in any such proceeding, (ix) seek, approve, consent to, or acquiesce in any such proceeding, or in the appointment of any trustee, receiver, custodian, liquidate, or fiscal agent for it, or any substantial part of its Property, or an order is entered appointing any such trustee, receiver, custodian, liquidator or fiscal agent and such order remains in effect for 90 days, (x) take any formal action for the purpose of effecting any of the foregoing or looking to the liquidation or dissolution of the Company or any Subsidiary, or (xi) suspend or discontinue its business (except as otherwise expressly permitted herein); or

(i) an order for relief is entered under the United States bankruptcy laws or any other decree or order is entered by a court having jurisdiction (i) adjudging the Company or any Subsidiary a bankrupt or insolvent, or (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under the United States bankruptcy laws or any other applicable Federal or state law, or (iii) appointing a trustee, receiver, custodian, liquidator, or fiscal agent (or other similar official) of the Company or any Subsidiary or of any substantial part of the Property of any thereof, or (iv) ordering the winding up or liquidation of the affairs of the Company or any Subsidiary; or

(j) judgments or decrees against the Company or any Subsidiary for an aggregate amount in excess of \$5,000,000 shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 60 days; or

(k) any fact or circumstance, including any Reportable Event as defined in Title IV of ERISA, at a time when there exists an underfunding of the Plan in an amount in excess of \$500,000, which constitutes grounds for the termination of any Plan by the PBGC or for the appointment of a trustee to administer any Plan, shall have occurred and be continuing for a period of 30 days.

Upon the occurrence and during the continuance of an Event of Default under this paragraph 9, the Agent, upon the request of the Majority Banks, shall notify the Company that the Commitments have been terminated and that the Notes, all accrued interest thereon and all other amounts owing under this Agreement are immediately due and payable, provided that upon the occurrence of an event specified in paragraphs 9(h) or 9(i), the Commitments shall automatically terminate and the Notes (with accrued interest thereon) and all other amounts owing under this Agreement shall become immediately due and payable without notice to the Company. Except for any notice expressly provided for in this paragraph 9, the Company hereby expressly waives any presentment, demand, protest, notice of protest or other notice of any kind. The Company hereby further expressly waives and covenants not to assert any appeasement, valuation, stay, extension, redemption or similar laws, now or at any time hereafter in force which might delay, prevent or otherwise impede the performance or enforcement of this Agreement or the Notes.

In the event that the unpaid principal balance of the Notes, all accrued interest thereon and all other amounts owing under this Agreement shall have been declared due and payable pursuant to the provisions of this paragraph 9, the Agent may, and, upon (i) the request of the Majority Banks and (ii) the providing by all of the Banks to the Agent of an indemnity in form and substance satisfactory to the Agent in accordance with paragraph 10.3 against all expenses and liabilities shall, proceed to enforce the rights of the holders of the Notes by suit in equity, action at law and/or other appropriate proceedings, whether for payment or the specific performance of any covenant or agreement contained in this Agreement or the Notes. The Agent shall be justified in failing or refusing to take any action hereunder and under the Notes unless it shall be indemnified to its satisfaction by the Banks pro rata according to the aggregate outstanding principal balance of the Notes against any and all liabilities and expenses which may be incurred by it by reason of taking or continuing to take any such action. In the event that

the Agent, having been so indemnified, or not being indemnified to its satisfaction, shall fail or refuse so to proceed, any Bank shall be entitled to take such action as it shall deem appropriate to enforce its rights hereunder and under its Notes, with the consent of the Banks, it being understood and intended that no one or more of the holders of the Notes shall have any right to enforce payment thereof except as provided in this paragraph 9 and in paragraph 12.

If an Event of Default shall have occurred and shall be continuing, the Agent may, and at the request of the Majority Banks shall, notify the Company (by telephone or otherwise) that all or such lesser amount as the Majority Banks shall designate of the outstanding Eurodollar Rate

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Loans automatically shall be converted to Alternate Base Rate Loans, in which event such Eurodollar Rate Loans automatically shall be converted to Alternate Base Rate Loans on the date such notice is given. If such notice is given, notwithstanding anything in paragraph 2.6 to the contrary, no Alternate Base Rate Loan may be converted to a Eurodollar Rate Loan if an Event of Default has occurred and is continuing at the time the Company shall notify the Agent of its election to so convert.

10. THE AGENT. The Banks and the Agent agree by and among themselves that:

10.1 APPOINTMENT. FNBB is hereby irrevocably designated the Agent by each of the other Banks to perform such duties on behalf of the other Banks and itself, and to have such powers, as are set forth herein and as are reasonably incidental thereto.

10.2 DELEGATION OF DUTIES; ETC. The Agent may execute any duties and perform any powers hereunder by or through agents or employees, and shall be entitled to consult with legal counsel and any accountant or other professional selected by it. Any action taken or omitted to be taken or suffered in good faith by the Agent in accordance with the opinion of such counsel or accountant or other professional shall be full justification and protection to the Agent.

10.3 INDEMNIFICATION. The Banks agree to indemnify the Agent in its capacity as such, to the extent not reimbursed by the Company, pro rata according to their respective Commitments as of the Effective Date, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or the Notes or any action taken or omitted to be taken or suffered in good faith by the Agent hereunder or thereunder, provided that no Bank shall be liable for any portion of any of the foregoing items resulting from the gross negligence

or willful misconduct of the Agent. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly for its pro-rata share of any reasonable out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, administration or enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement and the Notes, to the extent that the Agent, having sought reimbursement for such expenses from the Company, is not promptly reimbursed by the Company. Any reference herein and in any document executed in connection herewith, to the Banks providing an indemnity in form and substance satisfactory to the Agent prior to the Agent taking any action hereunder shall be satisfied by the Banks executing an agreement confirming their agreement to promptly indemnify the Agent in accordance with this paragraph 10.3.

10.4 EXCULPATORY PROVISIONS. Neither Agent, nor any of its officers, directors, employees or agents, shall be liable for any action taken or omitted to be taken or suffered by it or them hereunder or under the Notes, or in connection herewith or therewith, except that the

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Agent shall be liable for its own gross negligence or willful misconduct. The Agent shall not be liable in any manner for the effectiveness, enforceability, collectibility, genuineness, validity or the due execution of this Agreement or the Notes, or for the due authorization, authenticity or accuracy of the representations and warranties contained herein or in any other certificate, report, notice, consent, opinion, statement, or other document furnished or to be furnished hereunder, and the Agent shall be entitled to rely upon any of the foregoing believed by it to be genuine and correct and to have been signed and sent or made by the proper Person. The Agent shall not be under any duty or responsibility to any Bank to ascertain or to inquire into the performance or observance by the Company or any Subsidiary of any of the provisions hereof or of the Notes or of any document executed and delivered in connection herewith or therewith. Each other Bank expressly acknowledges that the Agent has not made any representations or warranties to it and that no act taken by the Agent shall be deemed to constitute any representation or warranty by the Agent to any other Bank. Each Bank acknowledges that it has taken and will continue to take such action and has made and will continue to make such investigation as it deems necessary to inform itself of the affairs of the Company and each Subsidiary, and each Bank acknowledges that it has made and will continue to make its own independent investigation of the creditworthiness and the business and operations of the Company and its Subsidiaries, and that, in entering into this Agreement, and in agreeing to make its Loans, it has not relied and will not rely upon any information or representations furnished or given by the Agent or any other Bank.

10.5 AGENT IN ITS INDIVIDUAL CAPACITY. With respect to its Loans and any renewals, extensions or deferrals of the payment thereof and any Note issued to or held by it, the Agent shall have the same rights and powers hereunder as any Bank, and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise

requires, include the Agent in its individual capacity. FNBB and its affiliates may accept deposits from, lend money to, act as trustee or other fiduciary in connection with transactions involving, and otherwise engage in any business with the Company and its affiliates and any Person who may do business with or own securities of the Company or any affiliate of the Company, all as if FNBB were not the Agent hereunder and without any obligation to account or report therefor to any Bank.

10.6 KNOWLEDGE OF DEFAULT. It is expressly understood and agreed that the Agent shall be entitled to assume that no Event of Default has occurred and is continuing, unless the officers of the Agent who are responsible for matters concerning this Agreement shall have actual knowledge of such occurrence or shall have been notified in writing by a Bank that such Bank considers that an Event of Default has occurred and is continuing and specifying the nature thereof.

In the event the Agent shall have acquired actual knowledge of any Event of Default, it shall promptly give notice thereof to the Banks.

10.7 RESIGNATION OF AGENT. If at any time the Agent deems it advisable, in its sole discretion, it may submit to each of the Banks a written notification of its resignation as Agent

under this Agreement, such resignation to be effective on the thirtieth day after the date of such notice. If the Agent resigns hereunder, the Company shall have the right to appoint, with the prior written approval of the Banks, which approval shall not be unreasonably withheld, a successor Agent hereunder, provided, however that upon the occurrence and during the continuance of an Event of Default, the Banks shall have the right to appoint such successor Agent hereunder. The successor Agent shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the Agent hereunder, and the retiring Agent shall be discharged from any further duties and obligations under this Agreement. The Company and the Banks agree to execute such documents as shall be necessary to effect such appointment. After the retiring Agent's resignation or removal hereunder, the provisions of this paragraph 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while the Agent under this Agreement. If at any time hereunder there shall not be a duly appointed and acting Agent, the Company agrees to make each payment due hereunder and under the Notes directly to the Banks entitled thereto.

10.8 REQUESTS TO THE AGENT. Whenever the Agent is authorized and empowered hereunder on behalf of the Banks to give any approval or consent, or to make any request, or to take any other action on behalf of the Banks, the Agent shall be required to give such approval or consent, or to make such

request or to take such other action only when so requested in writing by the Majority Banks subject, however, to the provisions of paragraph 13.

11. NOTICES.

11.1 MANNER OF DELIVERY. Except as otherwise specifically provided herein, all notices and demands shall be in writing and shall be mailed by certified mail return receipt requested or sent by telegram, telecopy or telex or delivered in person, and all statements, reports, documents, consents, waivers, certificates and other papers required to be delivered hereunder shall be mailed by first-class mail or delivered in person, in each case to the respective parties to this Agreement as follows:

the Company:

Boston Gas Company
One Beacon Street
Boston, Massachusetts 02108
Attention: Joseph F. Bodanza,
Senior Vice President and Treasurer
Telephone: (617) 742-8400 (Ext. 2302)
Telecopy: (617) 742-0041

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the Agent:

The First National Bank of Boston
100 Federal Street, 01-08-02
Boston, Massachusetts 02110
Attention: George W. Passela, Managing Director
Telephone: (617) 434-7160
Telecopy: (617) 434-3652

the Banks:

Morgan Guaranty Trust Company of New York
60 Wall Street
New York, New York 10260
Attention: Mr. Mathias Blumschein
Telephone: (212) 648-8008
Telecopy: (212) 648-5018

National Westminster Bank Plc
175 Water Street
New York, New York 10038-4924
Attention: Mr. David E. Apps
Telephone: (212) 602-4221

Telecopy: (212) 602-4500

Shawmut Bank, N.A.
One Federal Street
Boston, Massachusetts 02211
Attention: Robert D. Lanigan, Vice President
Telephone: (617) 292-3715
Telecopy: (617) 292-2619

The First National Bank of Boston
100 Federal Street, 01-08-02
Boston, Massachusetts 02110
Attention: George W. Passela, Managing Director
Telephone: (617) 434-7160
Telecopy: (617) 434-3652

or to such other Person or address as a party hereto shall designate to the other parties hereto from time to time in writing forwarded in like manner. Any notice or demand given in accordance with the provisions of this paragraph 11.1 shall be effective when received and any consent, waiver or other communication given in accordance with the provisions of this

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paragraph 11.1 shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered to such party at its address specified above or, if sent by first class mail, on the third Business Day after the day when deposited in the mail, postage prepaid, and addressed to such party at such address, provided that a notice of change of address shall be deemed to be effective when actually received.

11.2 DISTRIBUTION OF COPIES. Whenever the Company is required to deliver any statement, report, document, certificate or other paper (other than Borrowing Request or a notice to convert under paragraph 2.6) to the Agent, the Company shall simultaneously deliver a copy thereof to each Bank.

11.3 NOTICES BY THE AGENT OR A BANK. In the event that the Agent or any Bank takes any action or gives any consent or notice provided for by this Agreement, notice of such action, consent or notice shall be given forthwith to all the Banks by the Agent or the Bank taking such action or giving such consent or notice, provided that the failure to give any such notice shall not invalidate any such action, consent or notice in respect of the Company.

12. RIGHT OF SET-OFF. Regardless of the adequacy of any collateral, upon the occurrence and during the continuance of any Event of Default, each Bank is hereby expressly and irrevocably authorized by the Company at any time and from time to time, without notice to the Company, to set-off, appropriate, and apply all moneys, securities and other Property and the proceeds thereof now or hereafter held or received by or in transit to such Bank from or for the

account of the Company, whether for safekeeping, pledge, transmission, collection or otherwise, and also upon any and all deposits (general and special), account balances and credits of the Company with such Bank at any time existing against any and all obligations of the Company to the Banks and to each of them arising under this Agreement and the Notes, and the Company shall continue to be liable to each Bank for any deficiency with interest at the rate or rates set forth in subparagraph 2.7(b). Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to any obligations of the Company to such Bank, other than obligations evidenced by the Notes held by such Bank, such amount shall be applied ratably to such other obligations and to the obligations evidenced by all such Notes held by such Bank and (b) if such Bank shall receive from the Company, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by such Bank by proceedings against the Company at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, PRO TANTO assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by each Bank, its proportionate payment as contemplated by this Agreement; PROVIDED that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

13. AMENDMENTS, WAIVERS AND CONSENTS. Except as otherwise expressly set forth herein, with the written consent of the Majority Banks, the Agent shall, subject to the provisions of this paragraph 13, from time to time enter into agreements amendatory or supplemental hereto with the Company for the purpose of changing any provisions of this Agreement or the Notes, or changing in any manner the rights of the Banks, the Agent or the Company hereunder and thereunder, or waiving compliance with any provision of this Agreement or consenting to the non-compliance thereof. Notwithstanding the foregoing, the consent of all of the Banks shall be required with respect to any amendment, waiver or consent (i) changing the Aggregate Commitments or the Commitment of any Bank or (ii) changing the maturity of any Loan, or the rate of interest of, time or manner of payment of interest on or principal of, or the principal amount of any Loan, or the amount, time or manner of payment of any fees hereunder, or modifying this paragraph 13. Any such amendatory or supplemental agreement, waiver or consent shall apply equally to each of the Banks and shall be binding on the Company and all of the Banks and the Agent. Any waiver or consent shall be for such period and subject to such conditions or limitations as shall be specified therein, but no waiver or consent shall extend to any subsequent or other Event of Default, or impair any right or remedy consequent thereupon. In the case of any waiver or consent, the rights of the Company, the Banks and the Agent under this Agreement and the Notes shall be otherwise

unaffected. Nothing contained herein shall be deemed to require the Agent to obtain the consent of any Bank with respect to any change in the amount or terms of payment of the Agent's Fees. The Company shall be entitled to rely upon the provisions of any such amendatory or supplemental agreement, waiver or consent if it shall have obtained any of the same in writing from the Agent who therein shall have represented that such agreement, waiver or consent has been authorized in accordance with the provisions of this paragraph 13.

14. OTHER PROVISIONS.

14.1 NO WAIVER OF RIGHTS BY THE BANKS. No failure on the part of the Agent or of any Bank to exercise, and no delay in exercising, any right or remedy hereunder or under the Notes shall operate as a waiver thereof, except as provided in paragraph 13, nor shall any single or partial exercise by the Agent or any Bank of any right, remedy or power hereunder or under the Notes preclude any other or future exercise thereof, or the exercise of any other right, remedy or power. The rights, remedies and powers provided herein and in the Notes are cumulative and not exclusive of any other rights, remedies or powers which the Agent or the Banks or any holder of a Note would otherwise have. Notice to or demand on the Company in any circumstance in which the terms of this Agreement or the Notes do not require notice or demand to be given shall not entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or any Bank or the holder of any Note to take any other or further action in any circumstances without notice or demand.

14.2 HEADINGS; PLURALS. Paragraph and subparagraph headings have been inserted herein for convenience only and shall not be construed to be a part of this Agreement. Unless the

context otherwise requires, words in the singular number include the plural, and words in the plural include the singular.

14.3 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one agreement. It shall not be necessary in making proof of this Agreement or of any document required to be executed and delivered in connection herewith or therewith to produce or account for more than one counterpart.

14.4 SEVERABILITY. Every provision of this Agreement and the Notes is intended to be severable, and if any term or provision hereof or thereof shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof or thereof shall not be affected or impaired thereby, and any invalidity, illegality or unenforceability in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

14.5 INTEGRATION. All exhibits to this Agreement shall be deemed to be a part of this Agreement. This Agreement, the exhibits hereto and the Notes embody the entire agreement and understanding between the Company, the Agent and the Banks with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings between the Company, the Agent and the Banks with respect to the subject matter hereof and thereof.

14.6 SALES AND PARTICIPATIONS IN LOANS AND NOTES; SUCCESSORS AND ASSIGNS; SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

(a) Each Bank shall have the right with the prior written consent of the Company (which consent may be withheld for any reason or no reason), upon written notice to the Agent and the Company to sell, assign, transfer or negotiate all or any part of the Loans and the Notes and its Commitment to one or more Banks. In addition, each Bank shall have the right with the prior written consent of the Company (which consent may be withheld for any reason or for no reason) upon written notice to the Agent and the Company to sell, assign, transfer or negotiate all or any part (but not less than \$5,000,000) of the Loans and the Notes and its Commitment to one or more commercial banks or other financial institutions. In the case of any sale, assignment, transfer or negotiation of all or any such part of the Loans and the Notes authorized under this paragraph 14.6 (a), the assignee or transferee shall have, to the extent of such sale, assignment, transfer or negotiation, the same rights, benefits and obligations as it would if it were a Bank hereunder and a holder of such Note, including, without limitation, (x) the right to approve or disapprove of actions which in accordance with the terms hereof, require the approval of the Majority Banks and (y) the obligation to fund Loans directly to the Agent pursuant to paragraph 2.2.

(b) Notwithstanding paragraph 14.6 (a), each Bank may grant participations in all or any part (but not less than \$5,000,000) of its Loans and its Notes to one or more commercial

banks, insurance companies or other financial institutions, pension funds or mutual funds; provided that (i) any such disposition shall not, without the prior written consent of the Company, require the Company to file a registration statement with the Securities and Exchange Commission or apply to qualify the Loans and the Notes under the blue sky laws of any state and (ii) the holder of any such participation, other than an Affiliate of such Bank, shall not have any rights or obligations hereunder and shall not be entitled to require such Bank to take or omit to take any action hereunder except action directly affecting the extension of the maturity of any portion of the principal amount of, or interest on, the Loan allocated to such participation, or a reduction of the principal amount of, or the rate of interest payable on, such Loans.

Notwithstanding the foregoing provisions of this paragraph

14.6, each Bank may at any time with the prior written consent of the Company (which consent shall not be unreasonably withheld) sell, assign, transfer, or negotiate all or any part of the Loans to any Affiliate of such Bank; provided that an Affiliate to whom such disposition has been made shall not be considered a "Bank", and the assigning Bank shall be considered not to have disposed of any Loans so assigned, for purposes of determining the Majority Banks under any provision hereof, but such Affiliate shall otherwise be considered a "Bank", and the assigning Bank shall otherwise be considered to have disposed of any Loans so assigned, for purposes hereof, including, without limitation, paragraphs 3.1 and 12 hereof, and provided further, that the Company shall not incur any additional expenses solely as a result of such sale, assignment, transfer or negotiation.

In addition, notwithstanding anything to the contrary contained in this paragraph 14.6, any Bank may at any time or from time to time assign all or any portion of its rights under this Agreement with respect to its Loans, its Commitments and its Notes to a Federal Reserve Bank. No such assignment shall release the assignor Bank from its obligations hereunder.

No Bank shall, as between the Company and such Bank, be relieved of any of its obligations hereunder as a result of granting participations in all or any part of the Loans and the Notes of such Bank or other obligations owed to such Bank.

This Agreement shall be binding upon and inure to the benefit of the Banks, the Agent and the Company and their respective successors and assigns. All covenants, agreements, warranties and representations made herein, and in all certificates or other documents delivered in connection with this Agreement by or on behalf of the Company shall survive the execution and delivery hereof and thereof, and all such covenants, agreements, representations and warranties shall inure to the respective successors and assigns of the Banks and the Agent whether or not so expressed.

The Agent shall maintain a copy of each assignment delivered to it and a register or similar list for the recordation of the names and addresses of the Banks and the Commitment Percentages of the Banks and the principal amount of the Loans and the Notes assigned from time to time. The entries in such register shall be conclusive, in the absence of manifest error and provided that any required consent of the Company has been obtained, and the Company, the Agent and the Banks may treat each Person whose name is recorded in such register as a Bank hereunder for all purposes of this Agreement. Upon each such recordation, the assigning Bank

agrees to pay to the Agent a registration fee in the sum of One Thousand Five Hundred Dollars (\$1,500).

14.7 APPLICABLE LAW. This Agreement and the Notes are being delivered in and are intended to be performed in the Commonwealth of Massachusetts and shall be construed and enforceable in accordance with, and be governed by, the internal laws of the Commonwealth of Massachusetts without regard to principles of conflict of laws.

14.8 INTEREST. At no time shall the interest rate payable on the Notes, together with the Facility Fee and the Agent's Fees, to the extent same are construed to constitute interest, exceed the maximum rate of interest permitted by law. The Company acknowledges that to the extent interest payable on the Notes is based on FNBB's Prime Rate, such Rate is only one of the bases for computing interest on loans made by the Banks, and by basing interest payable on the Notes on FNBB's Prime Rate, the Banks have not committed to charge, and the Company has not in any way bargained for, interest based on a lower or the lowest rate at which the Banks may now or in the future make loans to other borrowers.

14.9 ACCOUNTING TERMS AND PRINCIPLES. All accounting terms not herein defined by being capitalized shall be interpreted in accordance with GAAP, unless the context otherwise expressly requires.

14.10 WAIVER OF TRIAL BY JURY. THE COMPANY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE FULLEST EXTENT PERMITTED OR NOT PROHIBITED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREIN. FURTHER, THE COMPANY HEREBY ACKNOWLEDGES THAT NO REPRESENTATIVE OF THE AGENT OR THE BANKS OR COUNSEL TO THE AGENT OR THE BANKS HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE AGENT OR THE BANKS WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE SUCH WAIVER. THE COMPANY ACKNOWLEDGES THAT THE AGENT AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THE LOAN DOCUMENTS BY, INTER ALIA, THE PROVISIONS OF THIS PARAGRAPH.

14.11 CONSENT TO JURISDICTION. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY COURT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING IN THE COMMONWEALTH OF MASSACHUSETTS OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE LOAN DOCUMENTS. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED OR NOT PROHIBITED BY APPLICABLE LAW, ANY OBJECTION

WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE COMPANY HEREBY AGREES THAT A FINAL JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH A COURT, AFTER ALL APPROPRIATE APPEALS, SHALL BE CONCLUSIVE AND BINDING UPON IT.

14.12 SERVICE OF PROCESS. PROCESS MAY BE SERVED IN ANY SUIT, ACTION, COUNTERCLAIM OR PROCEEDING OF THE NATURE REFERRED TO IN PARAGRAPH 14.11 BY MAILING COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO THE ADDRESS OF THE COMPANY SET FORTH IN PARAGRAPH 11.1 OR TO ANY OTHER ADDRESS OF WHICH THE COMPANY SHALL HAVE GIVEN WRITTEN NOTICE TO THE AGENT. THE COMPANY HEREBY AGREES THAT SUCH SERVICE (I) SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON IT IN ANY SUCH SUIT, ACTION, COUNTERCLAIM OR PROCEEDING, AND (II) SHALL TO THE FULLEST EXTENT PERMITTED OR NOT PROHIBITED BY APPLICABLE LAW, BE TAKEN AND HELD TO BE VALID PERSONAL SERVICE UPON AND PERSONAL DELIVERY TO IT.

14.13 NO LIMITATION ON SERVICE OR SUIT. NOTHING IN THE LOAN DOCUMENTS, OR ANY MODIFICATION, WAIVER, OR AMENDMENT THERETO, SHALL AFFECT THE RIGHT OF THE AGENT OR ANY BANK TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR LIMIT THE RIGHT OF THE AGENT OR ANY BANK TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURTS OF ANY OTHER JURISDICTION OR JURISDICTIONS.

14.14 INCORPORATED PROVISIONS. Certain provisions of the Indenture are incorporated into paragraphs 8.1, 8.2 and 8.5 as if fully set forth therein. Notwithstanding such incorporation, this Agreement may only be amended, and waivers and consents hereunder may be obtained or granted, only as provided herein. Accordingly, except as altered in accordance herewith, such incorporated provisions shall survive and shall not be altered by any amendment, modification or supplement of or to the Indenture, as well as the termination thereof, and any payment or defeasance of the obligations of the Company thereunder.

15. OTHER OBLIGATIONS OF THE COMPANY.

15.1 TAXES AND FEES. Should any tax (other than a tax based upon the net income of any Bank), recording or filing fee become payable in respect of this Agreement or the Notes or any amendment, modification or supplement hereof or thereof, the Company agrees to pay the same together with any interest or penalties thereon and agrees to hold the Agent and the Banks harmless with respect thereto.

15.2 EXPENSES. Whether or not the transactions contemplated by this Agreement shall be consummated, the Company agrees to pay the reasonable out-of-pocket expenses of the Agent (including the reasonable fees and expenses of counsel to the Agent and, without limitation, Special Counsel) in connection with the preparation, reproduction, execution and delivery of this Agreement and the Notes and the other exhibits annexed hereto (in such case, with respect to the Special Counsel, in accordance with the letter previously delivered to the Company by the Special Counsel) and any modifications, waivers, consents or amendments hereto and thereto, and the Company further agrees to pay the reasonable out-of-pocket expenses of the Agent and the Banks (including the reasonable fees and expenses of their respective counsel) incurred in connection with the interpretation and enforcement of any provision of this Agreement or collection under the Notes, whether or not suit is instituted.

16. EFFECTIVE DATE. This Agreement shall be effective at such time (specified in writing by the Agent to the Company and the Banks) (the "Effective Date") as executed counterparts of this Agreement have been delivered to the Agent by the Company and each Bank.

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<TABLE>

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

<S> <C>
BOSTON GAS COMPANY

By: /s/ J. F. BODANZA

Title:

Domestic Lending Office: THE FIRST NATIONAL BANK OF BOSTON,
Office listed in paragraph 11.1 Individually and as Agent

Eurodollar Lending Office: By: /s/ GEORGE PASSELLA

Title:

Office listed in paragraph 11.1

Domestic Lending Office: MORGAN GUARANTY TRUST COMPANY OF
Office listed in paragraph 11.1 NEW YORK

Eurodollar Lending Office: By: /s/ STEVEN KENNEALLY

Title: Vice President

Office listed in paragraph 11.1

Domestic Lending Office: NATIONAL WESTMINSTER BANK Plc
Office listed in paragraph 11.1 NEW YORK BRANCH

Eurodollar Lending Office: By: /s/ PETER J. STRINGER

Title: Senior Vice President

Office listed in paragraph 11.1

NASSAU BRANCH

By: /s/ PETER J. STRINGER

Title: Senior Vice President

</TABLE>

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<TABLE>

<S>

Domestic Lending Office:

Office listed in paragraph 11.1

Eurodollar Lending Office:

Shawmut Nassau
Navy Line Road
Harrison Building
Nassau, Bahamas

</TABLE>

<C>

SHAWMUT BANK, N.A.

By: /s/ ROBERT D. LANIGAN

Title: Vice President

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SCHEDULE A

Morgan Guaranty Trust Company of New York

National Westminster Bank Plc

Shawmut Bank, N.A.

The First National Bank of Boston

EXHIBIT I

FORM OF OPINION OF COUNSEL TO THE COMPANY

_____, 19__

TO THE PARTIES LISTED IN
SCHEDULE A ANNEXED HERETO

Re: Credit Agreement, dated as of December ___, 1993 among Boston Gas Company, the signatory banks thereto and The First National Bank of Boston, as Agent (the "Agreement")

I have acted as counsel to Boston Gas Company, a Massachusetts corporation (the "Company"), in connection with the authorization, execution and delivery by the Company of the Agreement.

This opinion is delivered to you pursuant to paragraph 5.4 of the Agreement and the terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I have examined and am familiar with originals or copies authenticated to my satisfaction of the Agreement and the Notes, as executed and delivered by the Company, together with such corporate documents and records of the Company, certificates of public officials and officers of the Company and such other documents as I deemed necessary or appropriate for the purposes of this opinion.

Based upon and relying solely upon the foregoing, subject to the comments and qualifications herein expressed and limited in all respects to the laws of the Commonwealth of Massachusetts and the United States, I am of the opinion that:

1. Each of the Company and each Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and (ii) has all requisite corporate power and authority to own its Property and to carry on its business as now conducted. Each of the Company and each Subsidiary, is in good standing and duly qualified to do business in each jurisdiction in which the failure to so qualify would

have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis.

2. The Company has full corporate power and authority to enter into, execute, deliver and carry out the terms of the Agreement and to make the borrowings contemplated thereby, to execute, deliver and carry out the terms of the Notes, and to incur the obligations provided for therein and in the Agreement, all of which have been duly authorized by all proper or necessary corporate action on its part and are in full compliance with its Charter and By-Laws. No consent or approval of, or exemption by, shareholders or any Governmental Body is required to authorize, or is required in connection with the execution, delivery and performance of, the Agreement and the Notes, or is required as a condition to the validity or enforceability of the Agreement and the Notes, except for the approval of the DPU a certified copy of which has been delivered as required under paragraph 5.6 of the Agreement, which approval has been duly obtained and which is in full force and effect on the date hereof and is final and not subject to appeal.

3. The Agreement constitutes, and the Notes, when issued and delivered pursuant to the Agreement for value received, will constitute, the valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by equitable principles (regardless of whether such enforceability is considered in a proceeding in an equity or in an action at law) and by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally.

4. To the best of my knowledge after due inquiry, and except for the matters set forth in _____ of the Designated Documents, there are no actions, suits or arbitration proceedings (whether or not purportedly on behalf of the Company or any Subsidiary) pending or threatened against the Company or any Subsidiary, or maintained by the Company or any Subsidiary, in law or in equity before any Governmental Body, which if decided adversely to the Company or such Subsidiary would result in a material adverse change in the financial condition, Property or operations of the Company and its Subsidiaries on a Consolidated basis, after giving effect to reserves reflected in the Financial Statements or the footnotes thereto. To the best of my knowledge after due inquiry, there are no proceedings pending or threatened against the Company or any Subsidiary which call into question the validity or enforceability of the Agreement or the Notes.

5. To the best of my knowledge after due inquiry, except for the matters set forth in _____ of the Designated Documents, neither the Company nor any Subsidiary is in default under any agreement to which it is a party or by which it or any of its Property is bound the effect of which would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis. No provision of the Charter or By-Laws, and no provision of any existing mortgage, indenture (including the Indenture), contract, agreement, statute (including, without

decree or order binding on the Company or any Subsidiary would in any way prevent the execution, delivery or carrying out of the terms of the Agreement and the Notes, and the taking of any such action will not constitute a default under, or result in the creation or imposition of, or obligation to create, any Lien not permitted by paragraph 8.2 of the Agreement upon the Property of the Company or any Subsidiary pursuant to the terms of any such mortgage, indenture, contract or agreement.

6. Except as set forth in _____ of the Designated Documents, neither the Company nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Body applicable to the Company or such Subsidiary which default would have a material adverse effect on the financial condition, property, prospects or operations of the Company and its Subsidiaries on a Consolidated basis. Except as set forth in the Designated Documents, each of the Company and each Subsidiary is complying in all material respects with all applicable material statutes and regulations of all Governmental Bodies, including ERISA, a violation of which would have a material adverse effect on the financial condition, Property, prospects or operations of the Company and each Subsidiary on a Consolidated basis.

7. The Company is not an "Investment Company" as such term is defined in the Investment Company Act of 1940, as amended.

8. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended. If used in accordance with paragraph 2.12 of the Agreement, no part of the proceeds of the Loans will be used (i) to purchase or carry any such margin stock, (ii) to extend credit to others for the purpose of purchasing or carrying any margin stock, (iii) for a purpose which violates the provisions of Regulations G, U and X of the Board of Governors of the Federal Reserve System, as amended, or (iv) for a purpose which violates any other law, rule or regulation of any Governmental Body.

9. The Company and its Subsidiary are "subsidiaries" of a "holding company" which is exempt under the Public Utility Holding Company Act of 1935, pursuant to orders of the Securities and Exchange Commission, which orders remain in full force and effect.

10. The Company has obtained all authorizations, approvals or consents of and made all filings or registrations with all Governmental Bodies as are necessary to be obtained or made by the Company for the execution, delivery or performance by the Company of the Agreement and the Notes, and all such authorizations, approvals and consents are in full force and effect.

11. A Massachusetts court of competent jurisdiction, in a properly presented case, should uphold and give effect to the provisions in the Agreement and the Notes expressing

the contractual choice of the parties thereto that such documents be construed in accordance with the laws of the Commonwealth of Massachusetts.

Very truly yours,

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SCHEDULE A

Morgan Guaranty Trust Company of New York

National Westminster Bank Plc

Shawmut Bank, N.A.

The First National Bank of Boston

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<TABLE>

EXHIBIT A

COMMITMENTS

<CAPTION>

BANK - - - - -	COMMITMENT -----	COMMITMENT PERCENTAGE -----
<S> MORGAN GUARANTY TRUST COMPANY OF NEW YORK	<C> \$20,000,000	<C> 22.2222%
NATIONAL WESTMINSTER BANK PLC	\$20,000,000	22.2222%
SHAWMUT BANK, N.A.	\$20,000,000	22.2222%
THE FIRST NATIONAL BANK OF BOSTON	\$30,000,000	33.3333%
AGGREGATE COMMITMENTS	\$90,000,000	100%

</TABLE>

<TABLE>

EXHIBIT B

I. Effective Date to but not including the Revolving Credit Termination Date

<CAPTION>

	*Debt Rating of A or Higher <C>	*Debt Rating of A- or BBB+ <C>	*Debt Rating of BBB or Lower <C>
<S> Applicable Margin for Alternative Base Rate Loans	0%	0%	0%
Applicable Margin for Eurodollar Rate Loans	1/4%	2/5%	1/2%
Percentage for Facility Fee </TABLE>	1/10%	1/8%	3/20%

<TABLE>

II. Revolving Credit Termination Date to but not including the Termination Date

<CAPTION>

	*Debt Rating of A or Higher <C>	*Debt Rating of A- or BBB+ <C>	*Debt Rating of BBB or Lower <C>
<S> Applicable Margin for Alternative Base Rate Loans	0%	0%	0%
Applicable Margin for Eurodollar Rate Loans	3/10%	9/20%	11/20%
Percentage for Facility Fee <FN>	1/10%	1/8%	3/20%

*or an equivalent Debt Rating if determined by reference to Moody's Investor Service.

</TABLE>

EXHIBIT C

FORM OF BORROWING REQUEST

The First National Bank of Boston
100 Federal Street, 01-08-02
Boston, Massachusetts 02110

Attention: George W. Passela,
Managing Director

Re: Credit Agreement dated as of December __, 1993 by and among
BOSTON GAS COMPANY, the signatory BANKS thereto and THE FIRST
NATIONAL BANK OF BOSTON, as Agent (the "Agreement")

Capitalized terms used herein which are defined in the Agreement shall have the meanings therein defined.

Pursuant to paragraph 2.1 of the Agreement, the Company hereby gives notice of its intention to effect a Borrowing in the amount of \$_____ on _____, 19__.

<TABLE>

Pursuant to paragraph 2.2 of the Agreement, the Company has elected to have the following portions of such Borrowing be subject to the Type and Interest Period(s) set forth below:

<CAPTION>

	Type	Amount	Interest Period
	----	-----	-----
<S>		<C>	<C>
1.			
2.			
3.			
4.			
5.			

</TABLE>

The Company hereby certifies that on the date hereof and on the Borrowing Date set forth above, and after giving effect to the Loans to be made on such Borrowing Date:

(a) The Company is and shall be in compliance with all of the terms, covenants and conditions of the Agreement.

(b) There exists and there shall exist no Event of Default under the Agreement.

(c) The Company represents, warrants and covenants that the proceeds of such Loans will be used in accordance with paragraph 2.12 of the Agreement.

(d) The Company represents and warrants that each of the material representations and warranties contained in the Agreement is and shall be true and correct in all material respects with the same force and effect as if made on and as of the date hereof, except such thereof as specifically refer to an earlier date.

The Company hereby certifies that on the date hereof the Debt Rating of the Company is _____ according to Standard & Poor's Corporation [in the event no Debt Rating is available from Standard & Poor's Corporation, according to Moody's Investor Service].

IN WITNESS WHEREOF, the undersigned has caused this Borrowing Request and certification to be executed as of the date and year first above written.

BOSTON GAS COMPANY

By: _____

Title: _____

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EXHIBIT D

FORM OF REVOLVING CREDIT NOTE

Boston, Massachusetts

_____, 19__

For value received, BOSTON GAS COMPANY, a Massachusetts corporation ("Company"), hereby promises to pay to the order of _____ (the "Bank") at the offices of THE FIRST NATIONAL BANK OF BOSTON (the "Agent"), 100 Federal Street, Boston, Massachusetts, in lawful money of the United States of America, the principal amount of each Loan made by the Bank to the Company pursuant to the Credit Agreement, dated as of December __, 1993, by and among the Company, the signatory Banks thereto and the Agent (as the same may be amended from time to time the "Agreement"), on the Revolving Credit Termination Date, together with interest on the unpaid principal amount of each Loan, from the date of each Loan until such principal amount is paid in full, at such interest rates, and payable at such times, as is provided or determined under the Agreement. In no event shall the interest rate payable hereon exceed the maximum rate of interest permitted by law. Capitalized terms used herein which are defined in the

Agreement shall have the meanings therein defined.

The principal amount of each Loan made by the Bank to the Company, and all prepayments made on account of such principal, by the Company shall be recorded by the Bank on the schedule attached hereto. The aggregate unpaid principal balance of all Loans made by the Bank and set forth in such schedule shall be presumptive evidence of the principal balance owing and unpaid on this Note. The Bank may attach one or more continuations to such schedule as and when required.

This Note is one of the Notes referred to in the Agreement and is entitled to the benefits of, and is subject to the terms, set forth in the Agreement. The principal of this Note is prepayable in the amounts and under the circumstances, and its maturity is subject to acceleration upon the terms, set forth in the Agreement. All payments on this Note shall be made in funds immediately available in Boston, Massachusetts, by 12:00 noon, Boston time, on the due date for such payment. Except as otherwise expressly provided in the Agreement, if any payment on this Note becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next Business Day and interest shall be payable at the rate or rates specified in the Agreement during such extension period.

Presentment for payment, demand, notice of dishonor, protest, notice of protest and all other demands and notices in connection with the delivery, performance and enforcement of this Note are hereby waived, except as specifically otherwise provided in paragraph 9 of the Agreement.

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This Note is being delivered in, is intended to be performed in, shall be construed and enforceable in accordance with, and be governed by the internal laws of, the Commonwealth of Massachusetts without regard to principles of conflict of laws.

This Note may be amended only by an instrument in writing executed pursuant to the provisions of paragraph 13 of the Agreement.

BOSTON GAS COMPANY

By: _____
Title: _____

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<TABLE>

REVOLVING CREDIT LOANS

<CAPTION>

Amount of Loan	Interest Period of Loan	Type of Loan	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By
<S>	<C>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT E

FORM OF TERM NOTE

Boston, Massachusetts

_____, 19__

For value received, BOSTON GAS COMPANY, a Massachusetts corporation ("Company"), hereby promises to pay to the order of _____ (the "Bank") at the offices of THE FIRST NATIONAL BANK OF BOSTON (the "Agent"), 100 Federal Street, Boston, Massachusetts, in lawful money of the United States of America, the principal amount of _____ DOLLARS or, if less, the aggregate unpaid principal amount of all Loans made by the Bank to the Company pursuant to the Credit Agreement, dated as of December __, 1993, by and among the Company, the signatory Banks thereto and the Agent (as the same may be amended from time to time the "Agreement"), on the Termination Date, together with interest on the unpaid principal amount of each Loan, from the Revolving Credit Termination Date until such principal amount is paid in full, at such interest rates, and payable at such times, as is provided or determined under the Agreement. In no event shall the interest rate payable hereon exceed the maximum rate of interest permitted by law. Capitalized terms used herein which are defined in the Agreement shall have the meanings therein defined.

The principal amount of each Loan made by the Bank to the Company, and all prepayments made on account of such principal, by the Company shall be recorded by the Bank on the schedule attached hereto. The aggregate unpaid principal balance of all Loans made by the Bank and set forth in such schedule shall be presumptive evidence of the principal balance owing and unpaid on this Note. The Bank may attach one or more continuations to such schedule as and when required.

This Note is one of the Notes referred to in the Agreement and is entitled to the benefits of, and is subject to the terms, set forth in the Agreement. The principal of this Note is prepayable in the amounts and under the circumstances, and its maturity is subject to acceleration upon the terms, set forth in the Agreement. All payments on this Note shall be made in funds

immediately available in Boston, Massachusetts, by 12:00 noon, Boston time, on the due date for such payment. Except as otherwise expressly provided in the Agreement, if any payment on this Note becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next Business Day and interest shall be payable at the rate or rates specified in the Agreement during such extension period.

Presentment for payment, demand, notice of dishonor, protest, notice of protest and all other demands and notices in connection with the delivery, performance and enforcement of this Note are hereby waived, except as specifically otherwise provided in paragraph 9 of the Agreement.

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-2-

This Note is being delivered in, is intended to be performed in, shall be construed and enforceable in accordance with, and be governed by the internal laws of, the Commonwealth of Massachusetts without regard to principles of conflict of laws.

This Note may be amended only by an instrument in writing executed pursuant to the provisions of paragraph 13 of the Agreement.

BOSTON GAS COMPANY

By: _____
Title: _____

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<TABLE>

TERM LOAN

<CAPTION>

Amount of Principal Paid or Prepaid <S>	Unpaid Principal Balance <C>	Notation Made By <C>
--	---------------------------------------	----------------------------

</TABLE>

EXHIBIT F

FORM OF COMMITMENT EXTENSION REQUEST

_____, 19__

To each of the Banks party
to the Credit Agreement
hereinafter referred to

The First National Bank of Boston
100 Federal Street, 01-08-02
Boston, Massachusetts 02110

Attention: George W. Passela,
Managing Director

Re: Credit Agreement dated as of December , 1993

This Commitment Extension Request is made pursuant to paragraph 2.14 of the Credit Agreement, dated as of December __, 1993 (as from time to time amended, modified or supplemented, the "Agreement"), among Boston Gas Company (the "Company"), the signatory Banks thereto ("Banks") and The First National Bank of Boston, as Agent (the "Agent"). Terms used herein shall have the meanings assigned to such terms in the Agreement.

In accordance with paragraph 2.14 of the Agreement, the Company hereby requests that your Bank consent to an extension of the Revolving Credit Termination Date to _____, 19__.

Please indicate your Bank's consent to such extension by signing the enclosed copy of this letter in the space provided below and returning it to the Agent.

Very truly yours,

BOSTON GAS COMPANY

By: _____
Title: _____

CONSENTED TO:

[Name of Bank]

By: _____

Title: _____

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EXHIBIT G

SUBSIDIARIES

Massachusetts LNG Incorporated, a Massachusetts corporation.

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EXHIBIT H

FORM OF OPINION OF SPECIAL COUNSEL

_____, 19__

TO THE PARTIES LISTED IN
SCHEDULE A ANNEXED HERETO

Re: Credit Agreement dated as of December , 1993 among BOSTON GAS
COMPANY, the signatory BANKS thereto and THE FIRST NATIONAL BANK OF
BOSTON, as Agent (the "Agreement")

We have acted as the Agent's Special Counsel in connection with the
Agreement. Terms used herein which are defined in the Agreement shall have the
same meanings as therein defined, except as otherwise set forth herein.

We have examined originals or copies of the following documents:

1. The Agreement, executed by each of the parties thereto.
2. The Revolving Credit Notes, executed by the Company and payable to the order of the respective Banks.
3. The opinion of General Counsel to the Company dated the date hereof.
4. The other documents furnished by the Company pursuant to paragraph 5 of the Agreement.

As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the Company set forth in paragraph 4 of the Agreement and (ii) certificates delivered to us by the management of the Company, and have assumed, without independent inquiry, the accuracy of those representations and certificates. We have assumed the genuineness of all signatures, the conformity to the originals of all documents reviewed by us

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as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document.

We have also relied upon the opinion referred to in item 3 above, without making any independent investigation with respect thereto.

We understand that all of the foregoing assumptions and limitations are acceptable to you.

Subject to the limitations set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. This opinion is limited solely to the laws of the Commonwealth of Massachusetts as applied by courts located in the Commonwealth of Massachusetts, and the federal laws of the United States of America, to the extent that the same may apply to or govern such transactions.

Based upon the foregoing, we are of the opinion that the documents listed above furnished pursuant to the provisions of paragraph 5 of the Agreement are substantially responsive to the requirements of the Agreement.

This opinion is furnished to the addressees hereof and is solely for the benefit of such addressees and for the benefit of any financial institutions which become "Banks" pursuant to Section 14.6 of the Agreement subsequent to the date hereof. This opinion speaks only as of its date and we assume no responsibility to update it for any change of law or any facts of which we may become aware. This opinion may not be relied upon by any other person or entity.

Very truly yours,

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report included in this Form 10-K, into the Company's previously filed Registration Statement File No. 33-53858.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts
March 16, 1994