



Corporate Policy Statement: Ethical Business Conduct for All KeySpan Employees

Policy Objective

KeySpan has established the principles of respect, integrity, trust, honesty and community service as cornerstones of the Company and it requires its directors, officers and employees to conduct business in a lawful and ethical manner.

This Policy Statement sets forth the policies for personal conduct of all KeySpan directors, officers and employees. Adherence to these policies is in the best interest of the Company, its directors, officers, employees and its customers. Violations of these policies could expose the Company and directors, officers and employees to civil and/or criminal liabilities. Directors, officers and employees who violate these policies may be subject to disciplinary action up to and including discharge and may also be subject to criminal charges.

If you have any questions about a particular action, obtain advice from your immediate supervisor or contact the Ethics Office before you take the action. The Ethics Office, which is located in Brooklyn, New York, provides guidance on ethical issues to the family of KeySpan companies and individual employees. If you need assistance or guidance, you may call 718-403-2349, the Ethics Hotline at 1-877-5 ETHICS, or forward correspondence to the Ethics Office at, 1 MetroTech Center, Brooklyn, NY 11201. All calls or inquiries are confidential.

Definitions

Company is defined as KeySpan and its Subsidiaries.

Employee is defined as all directors, officers and employees of the Company.

Subsidiary is defined as any entity wholly owned or majority owned by KeySpan

Management Employee is defined as a non-union employee of the Company, including a member of the Board of Directors of the Company and/or its Subsidiaries.

Family Member means a person related to an employee by either blood or marriage and includes persons residing in the same household with the employee.

Significant Financial Interest means an aggregate financial interest of an employee or family member of more than:

- a) 1% of any class of outstanding securities of a corporation, company or firm;
- b) 10% interest in a partnership, company or association; or
- c) 5% of the assets or income of such employee

Organization is defined as a corporation, company, partnership, joint venture, firm, association, individual or other business entity.

Conflict of Interest

No employee or family member of an employee shall have a significant financial interest in any organization which does business with, or is in competition with, or is in an adversarial relationship with the Company, unless the financial interest has been fully disclosed in writing to the Ethics Office, and the Ethics Office has made a determination that under the circumstances, there is no conflict of interest.

No employee shall provide services (managerial, consulting or otherwise) on behalf of his or her self, or on behalf of any organization other than the Company, to any outside concern which does business with, or is a competitor of the Company, unless such activity has received prior written approval from the Ethics Office.



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No employee shall be obligated, in fact or appearance, to anyone by accepting any gifts, payments, fees, services (other than services generally available to the public), vacations, pleasure trips, loans (other than conventional loans from conventional lending institutions), or other favors from any person or business organization that does or seeks to do business with, or is a competitor of, the Company.

No employee shall conduct any activities or business related to an after hours job, second job, or outside business, during the hours that the employee works at the Company.

Fair Dealing

Each Employee shall endeavor to deal fairly with the Company's suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

Payment or Receipt of Bribes or Kickbacks

No employee shall use Company funds or personal funds for payment of bribes, kickbacks or other similar payment, whether lawful or unlawful, to secure special treatment for the Company. The Company's policy also prohibits making such payments through an intermediary, or to disguise such payments as commissions, refunds, or in any other manner. The Company's policy further prohibits the receipt of bribes or kickbacks by employees.

Should you become involved in a situation where a request has been made for a bribe, kickback, or any other prohibited payment, it is your responsibility to report the situation to your immediate supervisor and the Ethics Office.

Compliance with Laws, Rules, and Regulations

It is the Company's policy to proactively promote compliance with laws, rules and regulations, including insider trading laws.

Antitrust

It is the Company's policy to comply strictly with the letter and spirit of the antitrust laws. Agreements, or even discussions, with any competitor on such things as costs, prices, contract terms, production levels, market share, capacity or inventory may have antitrust implications and should be entered into only with the approval of Company counsel.

Business Entertainment/Sales Promotion Items

The Company policy authorizes entertainment of customers, potential customers or others involved with Company business, in appropriate business situations. Expenses must be authorized and reasonable.

Gifts of a sales promotional nature, such as pens, baseball hats, ties and the like, may be given or accepted in appropriate business situations. If you have a question as to what is appropriate, see your immediate supervisor.

Gifts, Favors or Other Gratuities

The giving or receiving of common courtesies, such as sales promotion items, occasional meals or reasonable entertainment, which is appropriate to the business relationship, is permissible. However, the giving or receiving of cash or cash equivalents (e.g., gift certificates) is prohibited under all circumstances. If you have any questions as



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to whether a gift or favor is permissible, you should either reject the gift or favor, or see your immediate supervisor for guidance before accepting or giving the gift or favor.

Fraternization Policy

The Company recognizes that in the work environment intimate relationships between employees may develop. The Company acknowledges these relationships between consenting employees as long as the parties involved maintain a professional demeanor and their work is not compromised. However, the Company strongly discourages such relationships between a supervisor/manager/director and his or her subordinate employees. If an intimate relationship between a supervisor/manager/director and a subordinate employee should develop, it shall be the responsibility and mandatory obligation of the supervisor/manager/director to promptly disclose the existence of the relationship to their respective Vice President. If you have a question as to what is appropriate, see your immediate supervisor or contact the Ethics Office.

Confidential, Commercially Sensitive and Proprietary Information

The Company considers information, correspondence, data and decisions relating to business plans, business strategies, marketing, customer-related information, customer-specific pricing, contracts, competitive bidding, acquisitions, mergers, gas and oil exploration and development operations, and the like to be confidential, commercially sensitive and proprietary information. The use of such information, correspondence and data for any purpose, other than its intended purpose, is prohibited.

Employees are prohibited from using such confidential, commercially sensitive and/or proprietary information, correspondence or data for the employee's own benefit or for the benefit of another person or business organization. Employees are also prohibited from giving commercially sensitive and/or proprietary information, correspondence or data to any non-employee, including members of the employee's family. For the purpose of this paragraph, the term "non-employee" includes any individual who is not an employee of the specific KeySpan business entity to which the information, correspondence or data pertains.

Company Equipment and Property

Other than for occasional use of telephone, fax, copying or computer equipment, employees are prohibited from using Company equipment, resources and property for any purpose, other than its intended business purpose.

Corporate Opportunities

Employees are prohibited from (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information, or position; (b) using corporate property, information, or position for personal gain; and (c) competing with the Company. Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Financial Record Keeping

It is the Company policy that all books and records of the Company fully and accurately reflect the Company's receipts and expenditures. Attempts to create false or misleading records are strictly prohibited. Employees are prohibited from establishing any undisclosed funds or accounts for any purpose. Should you become aware of secret cash funds, accounts or "slush" funds, you must immediately report this to the Ethics Office.

Tax Evasion



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It is the Company's policy to comply with all applicable tax laws, rules and regulations. This does not mean, however, that the Company may not take an aggressive position on taxes, or resolve doubt in favor of the Company, so long as such position can be reasonably supported. Employees are prohibited from taking any action to evade taxes relating to conduct of the Company's business (including attempts to evade withholding taxes on the employee's income). It is also a violation of Company policy to knowingly assist a company or individual, with whom the Company has had business dealings, to evade taxes.

Affiliate Transactions

All employees are required to operate their businesses in accordance with the Company's Business Conduct Statement Concerning Affiliate Transactions. This statement is attached hereto. If you have any questions or concerns about Affiliate Transactions, please contact the Legal Department or call the Ethics Office Hotline at 1-877-5 ETHICS.

Relationship with the Long Island Power Authority (LIPA)

Employees are prohibited from using information or data on LIPA's customers, transmission and distribution network, or operations, which was obtained from LIPA information systems or as a result of the Company's role as LIPA's Transmission and Distribution Manager and/or Energy Manager, for non-LIPA purposes without LIPA's prior written approval. To the extent that such information is publicly available or can be obtained from other than LIPA sources, there is no prohibition against using such information.

Relationship with Department of Public Service Employees

The New York State Public Service Commission requires all New York public utility companies to familiarize their Board of Directors annually with the statutory and regulatory requirements governing contacts between officials of utility companies and members of the Commission and employees of the Department of Public Service.

The requirements outlined in Section 15 of the New York State Public Service Law and Sections 73 and 74 of the New York State Public Officers Law, prohibit any present, gift, gratuity or other consideration; any office, place, position or appointment; or any compensation for services in relation to any case, proceeding, application or other matter before the agency, being offered to any Commissioner or any employee of the Department of Public Service. Members of the Boards of Directors and all employees also must refrain from providing any assistance or funds in furtherance of the personal activities of any Commissioner or employee of the New York State Department of Public Service. Violation of these provisions may cause the Company, the Director or the employee to be subject to civil, criminal or administrative proceedings.

Political Contributions and Fund Raising

The Company maintains a position of political non-partisanship. However, the Company may take responsible positions on issues important to the Company's business interests, and may publicize its positions in the political and governmental forums which affect the Company, its subsidiaries, shareholders, customers, employees and pensioners.

It is the Company's policy to encourage its officers and employees, as good citizens, to contribute to the political parties and candidates of their choice and to involve themselves individually. However, it is against this policy for an employee to solicit contributions for political candidates from other Company employees.

Except as provided herein, the Company shall not make, directly or indirectly, any contribution or expenditure in connection with the election or nomination of any candidate for public office nor for the support of any political party. Nothing under this heading shall, however, prevent the establishment and the operation of political action



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committees, as permitted by and in accordance with the regulations of the appropriate Federal and State agencies charged with the enforcement and the administration of the election law.

Charitable Fund Raising

No employee will act as a Company representative while engaged in personal charitable activities. However, employees can and should participate in Company sponsored events that are charitable in nature and/or support our community.

Concealment of Information from Auditors

It is the Company's policy for employees to provide the internal and outside auditors with any and all information they request. The audit function is a vital management tool and the concealment of financial and/or operational information, or allowing misleading information to be provided to the internal and/or outside auditors, could result in inaccurate evaluations and improper Company decisions.

Environmental Protection

The Company is committed to preserve and protect our environment and to comply with all applicable environmental laws and regulations. Company procedures outline how employees are to conduct operations to safeguard the environment. Because of the complexity of the laws, regulations and filing requirements,

Environmental Engineering & Services Division and the Legal Department are available to provide necessary guidance on environmental matters. Should you become aware of violations of procedures, which impact the

environment, it is your responsibility to report the situation to your immediate supervisor and Environmental Engineering & Services Division.

Administration

1. A copy of the Company's Ethical Business Conduct Policies will be provided to all employees and to each new employee at the time of hire.
2. As soon as a situation occurs, affecting the employee or any family member, which an employee has reason to believe may represent a violation of these policies, the employee shall bring the matter to the attention of his or her immediate supervisor and request advice. The employee and the supervisor will prepare a written memorandum describing the situation, including the supervisor's advice.

If, in the opinion of the supervisor, an actual or potential violation does, or may exist, the memorandum shall be promptly forwarded to the Ethics Office. The Ethics Office will respond to the employee and supervisor and suggest the appropriate action to be taken. Such memorandum and a record of the related decision shall be maintained in the Ethics Office files. Where violations are deemed to exist which involve an officer of the Company, a report will be submitted to the Chief Executive Officer of the Company.

Any waiver of this Ethical Business Conduct Policy for directors or officers may be made only by the Board or the Corporate Governance and Nominating Committee of the Board and must be promptly disclosed to shareholders.

If the employee does not wish to discuss the situation with his or her immediate supervisor, then the employee should raise the matter directly with the Ethics Office, preferably by sending a memorandum describing the situation and requesting advice.



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3. If an employee becomes aware of any situation concerning other Company employees or members of their family, which the employee has reason to believe represents, or may represent, a violation of these policies, the employee should request management's advice. In certain circumstances, it may be inappropriate to discuss potential violations with your immediate supervisor. In such cases, the potential violation should be discussed with the Ethics Office.

4. The Ethics Office will be provided with current listings of all employees. In order to audit compliance with this policy, each management employee shall furnish to the Ethics Office a "Management Employee's Annual Statement" setting forth:
 - That the employee has read and is familiar with the Company's Ethical Business Conduct Policies;
 - That neither the employee nor, to the best of the employee's knowledge, any member of the employee's family has had any interest or taken any action which would constitute a violation of these policies during the past year; or
 - That the employee or any family member has an actual or potential violation of these policies, which may require a waiver. (Prior disclosures must be updated to reflect any changes in the situation or circumstances.)

All such Annual Statements shall be maintained in the files of the Ethics Office.

The Ethics Office shall keep a list from year to year of any on-going actual or potential violations and shall review such a list at the time of each annual audit and furnish a copy thereof to the independent and internal auditors of the Company and to the Audit Committee of the Board of Directors of the Company.

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