

KEYSPAN CORPORATION

Corporate Governance Guidelines

The following governance guidelines have been established by the Board of Directors of KeySpan Corporation. These guidelines, together with the Corporation's certificate of incorporation, by-laws and the charters governing the activities of the Committees of the Board, provide the framework for KeySpan's corporate governance. The Board will, not less frequently than annually, review these guidelines and the Board Committee charters.

BOARD OF DIRECTORS

Role of Board and Management

KeySpan's business is conducted by its officers and employees, under the direction of the Chief Executive Officer and subject to the oversight of the Board of Directors, with the goal of enhancing the long-term value of the Corporation for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, KeySpan's communities, government officials and the public at large.

Functions of Board of Directors

The Board of Directors has eight regularly scheduled meetings each year at which it reviews and discusses reports by management on the Corporation's financial and operational performance, approves and monitors KeySpan's strategic objectives and plans, and addresses policy issues facing the Corporation. Directors are expected to attend all scheduled Board and Committee meetings. In addition to its general oversight of management, the Board and its Committees also perform a number of specific functions, including, but not limited to the following:

- a. selecting, evaluating and compensating the Chief Executive Officer and overseeing Chief Executive Officer succession planning;
- b. providing counsel and oversight on the selection, evaluation, development, compensation and succession planning of other senior management;
- c. reviewing, approving and monitoring the Corporation's principal financial, operational and business strategies and other major corporate activities;
- d. identifying and assessing major risks facing KeySpan and reviewing options for their

mitigation; and

- e. ensuring processes are in place for maintaining the accuracy and integrity of the Corporation's financial statements, its compliance with law and ethics, and its relationships with customers, suppliers, shareholders and the Corporation's other stakeholders.

Director Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders.

Directors must also have an inquisitive and objective perspective, practical wisdom and mature judgment. KeySpan endeavors to have a Board of Directors exhibiting diversity and representing experience at policy-making levels in business, government, education, finance and technology, and in other areas that are relevant to the Corporation's businesses.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively.

Directors who also serve as chief executive officers or in equivalent positions at other companies should not serve on more than two boards of unaffiliated public companies, in addition to the KeySpan Board and their own board; and other Directors should not serve on more than four other boards of unaffiliated public companies, in addition to the KeySpan Board. Directors who serve on the Audit Committee should not serve simultaneously on the audit committees of more than three unaffiliated public companies.

The Corporate Governance and Nominating Committee shall be responsible for determining the criteria for and qualifications of Director candidates.

Independence of Directors

At all times, a majority of the Directors shall be independent directors under the rules of the New York Stock Exchange, Inc. (NYSE) and the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. The following guidelines are established to assist the Board in determining the independence of a Director:

- a. A Director will not be considered independent if, within the preceding three years: (i) the Director was employed by KeySpan or one of its subsidiaries; (ii) an immediate family member of the Director was employed by KeySpan as an officer; (iii) the Director was employed by or affiliated with KeySpan's independent auditor; (iv) an immediate family member of the Director was employed by KeySpan's independent auditor as a partner, principal or manager; (v) the Director received more than \$100,000 in direct compensation from KeySpan or its subsidiaries, other than for Board service or pension or deferred compensation; (vi) an immediate family member of the Director received more than \$100,000 in direct compensation from

KeySpan or its subsidiaries, other than for Board service or pension or deferred compensation; (vii) the Director was employed as an executive officer of another company where any of KeySpan's officers serve on that company's compensation committee; or (viii) an immediate family member of the Director was employed as an executive officer of another company where any of KeySpan's officers serve on that company's compensation committee;

- b. The following commercial or charitable relationships will not be considered to be material relationships that would impair a Director's independence: (i) if a KeySpan Director or an immediate family member of the Director is an executive officer of another company that does business with KeySpan and the annual sales to, or purchases from, KeySpan are less than the greater of \$1 million or two percent of the annual revenues of the company he or she serves as an executive officer; (ii) if a KeySpan Director is an executive officer of another company which is indebted to KeySpan, or to which KeySpan is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company he or she serves as an executive officer; and (iii) if a KeySpan Director serves as an officer, director or trustee of a charitable organization, and KeySpan's discretionary charitable contributions to the organization are less than the greater of \$1 million or two percent of that organization's total annual charitable receipts. (KeySpan's automatic matching of employee charitable contributions will not be included in the amount of KeySpan's contributions for this purpose.) The Board will annually review all commercial and charitable relationships of Directors.
- c. For relationships not covered by the guidelines in subsection (b) above, the determination of whether the relationship is material or not, and therefore whether the Director would be independent or not, shall be made by the Directors who satisfy the independence guidelines set forth in subsections (a) and (b) above. For example, if a Director is the chief executive officer of a company that purchases products and services from KeySpan that are more than two percent of that company's annual revenues, the independent Directors could determine, after considering all of the relevant circumstances, whether such a relationship was material or immaterial, and whether the Director would therefore be considered independent.

The Corporation will disclose its determinations on Director independence in its annual proxy statements.

KeySpan will not make any personal loans or extensions of credit to Directors or officers.

The Directors shall complete and submit an annual director questionnaire to identify and assess relationships so that the Board can determine independence under these standards. The Directors also shall complete and submit an annual statement on Ethical Business Conduct to identify and assess relationships they may have with third parties (including vendors, service providers, competitors, etc.) that may impact the Corporation and could be construed as compromising the Director's independence.

Size and Selection of the Board of Directors

The Board shall consist of a number of Directors such that the Corporation is effectively managed, given the size and breadth of the Corporation's activities and the need for diversity of Board views. The number of Directors shall be fixed from time to time by the Board and recorded in the minutes of the Corporation. The Directors are elected each year by the shareholders at the annual meeting of shareholders.

The Board, upon the recommendation of the Corporate Governance and Nominating Committee, will propose candidates for election or re-election at each annual meeting of shareholders. A review of each Director's service on the Board will be conducted prior to such nomination. Shareholders may propose nominees for consideration by the Corporate Governance and Nominating Committee as set forth in Article 2.7 of KeySpan's by-laws.

It shall be the responsibility of the Corporate Governance and Nominating Committee to recommend to the Board of Directors nominees to fill Board vacancies and to replace retiring Board members. Between annual shareholder meetings, the Board may elect Directors to fill such vacancies to serve until the next annual meeting of shareholders.

Board Membership of Former Executive Officers

The Board of Directors shall not, as a general rule, have former executive employees serving on the Board. It is assumed that retiring executives will tender their resignations as officers and Directors, if applicable, simultaneously. The Board may, however, at its discretion, invite a retiring executive to serve or continue to serve as a Director.

Board Performance Evaluation

The Corporate Governance and Nominating Committee shall annually oversee the evaluation of the performance of the Board, with the participation of the full Board of Directors. As part of this review, the independent Directors may meet separately to assess the Board's performance.

Director Compensation Review

The Compensation and Management Development Committee shall have the responsibility for performing an annual review of the compensation and benefits provided to non-employee Directors. In discharging this duty, the Committee shall be guided by three goals: compensation should fairly pay Directors for work required in a corporation of KeySpan's

size and scope; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of the compensation should be transparent and easy for shareholders to understand. The Committee may also review industry analyses of Director's compensation and benefits to assist it in recommending any changes in the compensation and benefits provided to Directors. Any changes to the Directors compensation and benefits must be approved by the full Board.

Director's Change in Present Job Responsibilities

Individual Directors who experience changes in their employment, careers, affiliations with organizations or other matters, which may affect the Corporation or such Director's ability to serve effectively, have a duty to advise the Chairman of the Board of such changes. The specific circumstances will be assessed to determine if the Director's resignation from the Board should be requested.

Retirement Age

Directors shall retire on the date of the annual meeting of shareholders following the date of their 70th birthday.

Term Limits

There shall be no term limits for Directors, who may serve until their retirement age.

Director Contact with the Corporation's Constituencies

Communications with parties external to the Corporation (including but not limited to shareholders, accountants, the media, attorneys, vendors, service providers, etc.) shall be the responsibility of the Chief Executive Officer or delegated by the Chief Executive Officer to the appropriate officer or area of the Corporation. The Directors may be consulted from time to time for their advice, as the Chief Executive Officer so determines.

Attendance at Annual Meeting of Shareholders

Directors are encouraged to attend the annual meeting of KeySpan's shareholders.

MEETINGS OF THE BOARD OF DIRECTORS

Selection of Meeting Agenda Items

The Chairman and Chief Executive Officer shall establish the agenda for the Board meetings. Any Director may request inclusion of an item on the agenda. The Chairman and Chief Executive Officer may annually distribute to the Board the proposed agenda items, along with the proposed schedule of meetings, for the following year.

Advance Distribution of Board Meeting Materials

The Corporate Secretary shall distribute to the Directors all materials necessary to conduct an effective meeting of the Board of Directors prior to the meeting.

Regular Attendance of Non-Directors at Board Meetings

At the invitation and approval of the Chairman or the Chief Executive Officer, non-directors, whether or not officers of the Corporation, may attend or give presentations before the Board.

Strategy Sessions

At least one meeting of the Board of Directors each year shall be devoted to a review with executive management of the Corporation's strategic plan and its long range goals and direction.

Executive Sessions

Sessions of the Board and the Chief Executive Officer

The Directors and the Chief Executive Officer shall convene in executive session as often as is appropriate, as part of regularly scheduled meetings of the Board of Directors. Executive sessions may be requested by any Director, as well as the Chief Executive Officer.

Sessions of the Non-Management Directors

The non-management Directors of the Board shall meet at least quarterly to discuss any matter or recommend any action as the non-management Directors shall deem advisable consistent with the powers of the full Board. Non-management Directors who are members of the Corporation's Executive Committee shall serve as presiding directors of these meetings on a rotating basis.

COMMITTEES OF THE BOARD OF DIRECTORS

Number of Committees

The Board of Directors shall designate one or more Board committees, as is

necessary. There are four standing committees: the Executive Committee, the Audit Committee, the Compensation and Management Development Committee, and the Corporate Governance and Nominating Committee. All members of the Audit Committee, the Compensation and Management Development Committee, and the Corporate Governance and Nominating Committee are required to be independent, as determined in accordance with these guidelines. The current charters of each Committee shall be published on the KeySpan website. The Committee chairpersons shall report on their meetings to the full Board following each meeting of the respective Committee and the minutes of each Committee meeting shall be made available to the Board. Any Committee may, at its discretion, hold a meeting in conjunction with the full Board.

Committee Meeting Frequency and Length

The Committee chairperson, in consultation with Committee members, shall determine the frequency and length of Committee meetings. There will be at least two Compensation and Management Development Committee and Corporate Governance and Nominating Committee meetings, and at least four Audit Committee meetings held annually. The Executive Committee shall only convene on an as-needed basis.

Committee Meeting Agendas

The Chairman and Chief Executive Officer shall issue a schedule of meetings and schedule suggested agenda items, as requested by the Board of Directors or any Committee member.

Committee Member Assignments and Rotation

Committee chairpersons and Committee members shall rotate from time to time, as recommended by the Corporate Governance and Nominating Committee and approved by the Board of Directors. Committee appointments shall be recommended by the Corporate Governance and Nominating Committee and approved by the Board of Directors as soon as practicable following the annual meeting of shareholders.

Reporting of Concerns to the Audit Committee

Anyone, including a KeySpan employee, who has a concern about KeySpan, including, but not limited to, its accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Audit Committee. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing, or reported by phone to special addresses and a toll-free phone number as indicated on the Corporation's website. All such concerns will be forwarded to the Chairman of the Audit Committee. The status of all outstanding concerns, if any, addressed to the Audit Committee will be reported to the Directors on a quarterly basis. The Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Corporation's Ethics Policy prohibits retaliation or taking any adverse action against an employee

for raising or helping to raise an integrity concern.

Shareholder Communications with the Board

Shareholders and other interested parties may communicate directly with the Board, any Director, group of Directors or Committee of the Board by writing to: KeySpan Corporation, One MetroTech Center, Brooklyn, NY 11201, Attention Corporate Secretary's Office and specifying to whom the correspondence should be directed. Alternatively, communications can be sent via e-mail to boardofdirectors@keyspanenergy.com. These addresses are posted on the Corporation's website. The Corporate Secretary will review all such correspondence and forward to the Board of Directors, or to a particular Director or Directors, any such correspondence that deals with the functions of the Board or its Committees or that the Corporate Secretary can reasonably determine requires the attention of any Director, group of Directors or Committee of the Board. In addition, at each meeting of the Corporate Governance and Nominating Committee, the Corporate Secretary will report on all such communications received and the response, if any, to such communication. Further, any Director may at any time review a log of all correspondence received by the Corporation that is addressed to the Board, a Director, group of Directors or a Committee of the Board and request copies of any such correspondence.

Ethics and Conflicts of Interest

KeySpan expects its Board of Directors, as well as all of its officers and employees, to conduct themselves and the operations and business affairs of the Corporation in a legal, ethical and socially responsible manner. The Board has adopted a Code of Ethics for Senior Financial Officers, as well as an Ethical Business Conduct Policy, both of which can be viewed on the Corporation's governance website.

Stock Ownership Guidelines

Directors are required to own shares of KeySpan stock (i.e common stock, deferred stock units and/or common stock equivalents) with a value equal to five times the directors' annual retainer within five years of he/she being elected to the KeySpan Board.

KeySpan's officers are required to own shares of KeySpan stock (i.e common stock, deferred stock units and/or common stock equivalents) with a value equal to a specific multiple of such officer's base salary, generally within five years of being elected to the officer position, as indicated below:

<u>Executive Level</u>	<u>Multiple of Base Salary</u>
Chief Executive Officer	5 X
Chief Operating Officer	4 X
Presidents	3 X
Executive Vice Presidents	2 X

Senior Vice Presidents	1.5 X
Vice Presidents	1 X

Officers who do not meet the ownership guidelines may be subject to various remediation measures until such compliance is achieved.

Access to Independent Advisors

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors. In that connection, in the event the Board or any Committee retains any such advisor, the Board or the Committee shall have the sole authority to approve such advisor’s fees and other retention terms.

Director Orientation and Continuing Education

The Corporate Secretary shall be responsible for providing an orientation for new Directors, and for periodically providing materials or briefing sessions for all Directors on subjects that would assist them in discharging their duties.

The Corporation recognizes the value of continuing education for its Directors on corporate governance matters, industry specific matters and other matters that are relevant to the Directors’ responsibilities and KeySpan is committed to providing its Directors, whenever possible, with such continuing education opportunities. Such education may be provided in the form of written material, seminars and/or providing in-house training.

OFFICERS

Chairman and Chief Executive Officer Selection

The Board of Directors shall select an individual or individuals to hold the positions of Chairman and Chief Executive Officer, as stated in the by-laws of the Corporation. The same individual may hold both positions.

Chief Executive Officer Evaluation

The Compensation and Management Development Committee shall annually review the performance of the Chief Executive Officer, and establish a specific set of performance objectives for the Chief Executive Officer. These should include concerns of the shareholders, employees and customers. The Compensation and Management Development Committee shall, either as a committee or together with other independent directors (as directed by the Board of Directors), determine the Chief Executive Officer’s compensation level based on this review.

Management Development and Succession Planning

The Compensation and Management Development Committee shall review

annually the performance of all officers, which shall include an assessment by the Chief Executive Officer of the officers' performance. This review shall include a discussion of the officers' future potential with the Board of Directors as part of the Corporation's management development and succession planning.

Board Access to Senior Management

The Directors shall have unfettered access and are free to communicate directly with the Corporation's management and employees on any matter of concern or questions regarding the Corporation. In order to facilitate such access and communication, it is recommended that a Director contact the Chief Executive Officer who can arrange for the Director to be put in contact with the relevant officer or employee.

The foregoing Corporate Governance Guidelines have been reviewed by the Corporate Governance and Nominating Committee on January 13, 2005 and recommended to and approved by the Board of Directors on January 26, 2005.

Counsel

Senior Vice President, General
and Secretary