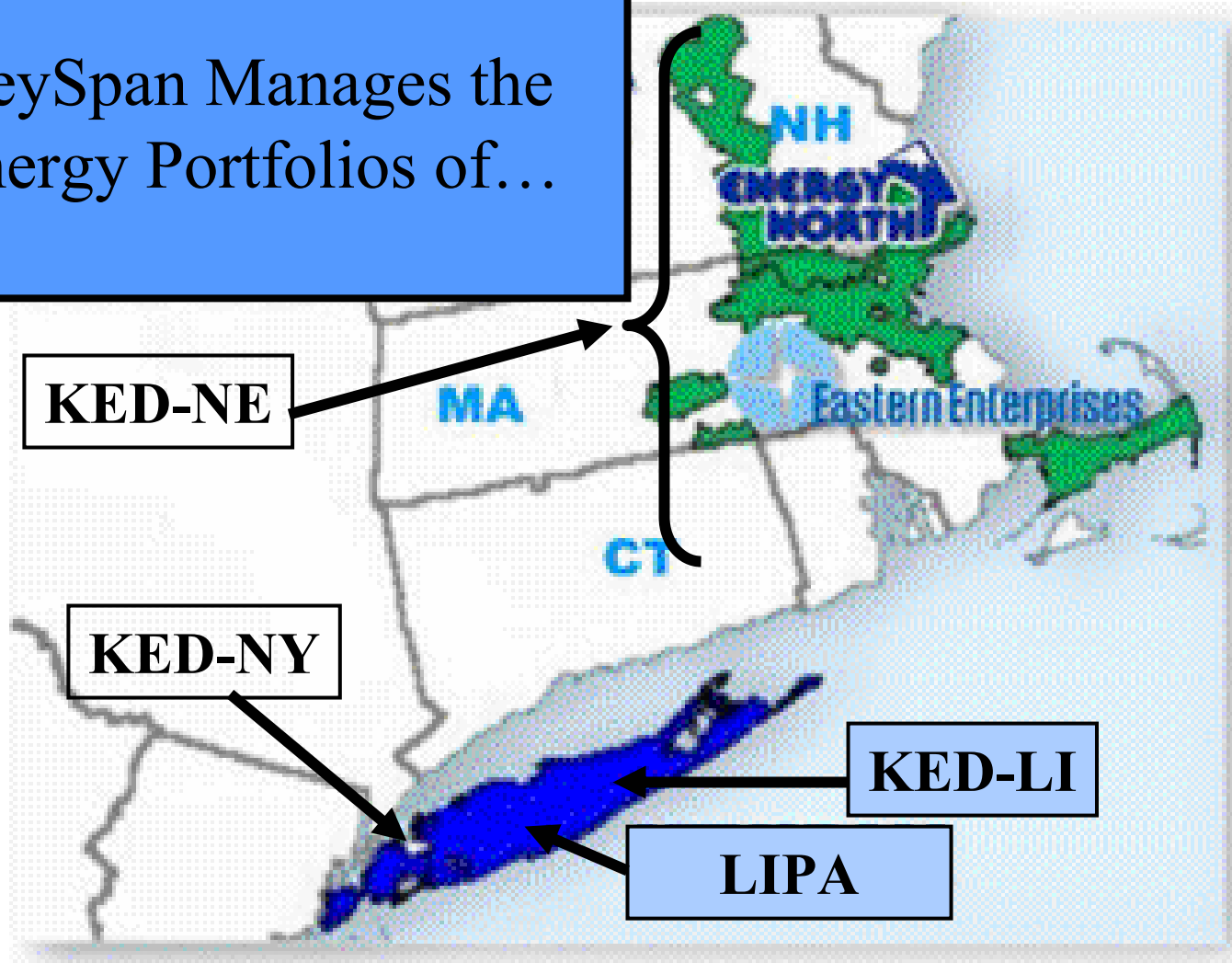


Natural Gas Growth On Long Island

*Presentation to Connecticut Task Force
Feb. 28, 2003*

KeySpan Manages the Energy Portfolios of...



KeySpan Requirements Overview

- 2.5 million Gas Customers Total
- 1.7 million in KED NY & LI
- 99% of KeySpan's gas customers are firm customers with no alternative energy choice.
- 1.1 million Electric Customers
- Gas consumption in KED NY & LI:
 - Peak day... 2.1 bcf
 - Winter season... 193 bcf
 - Annual... 252 bcf growing at 3.3%
 - Gas for generation 70 bcf

Gas Supply Goals

Portfolio Development & Restructuring

Goals: As the Provider of Last Resort...

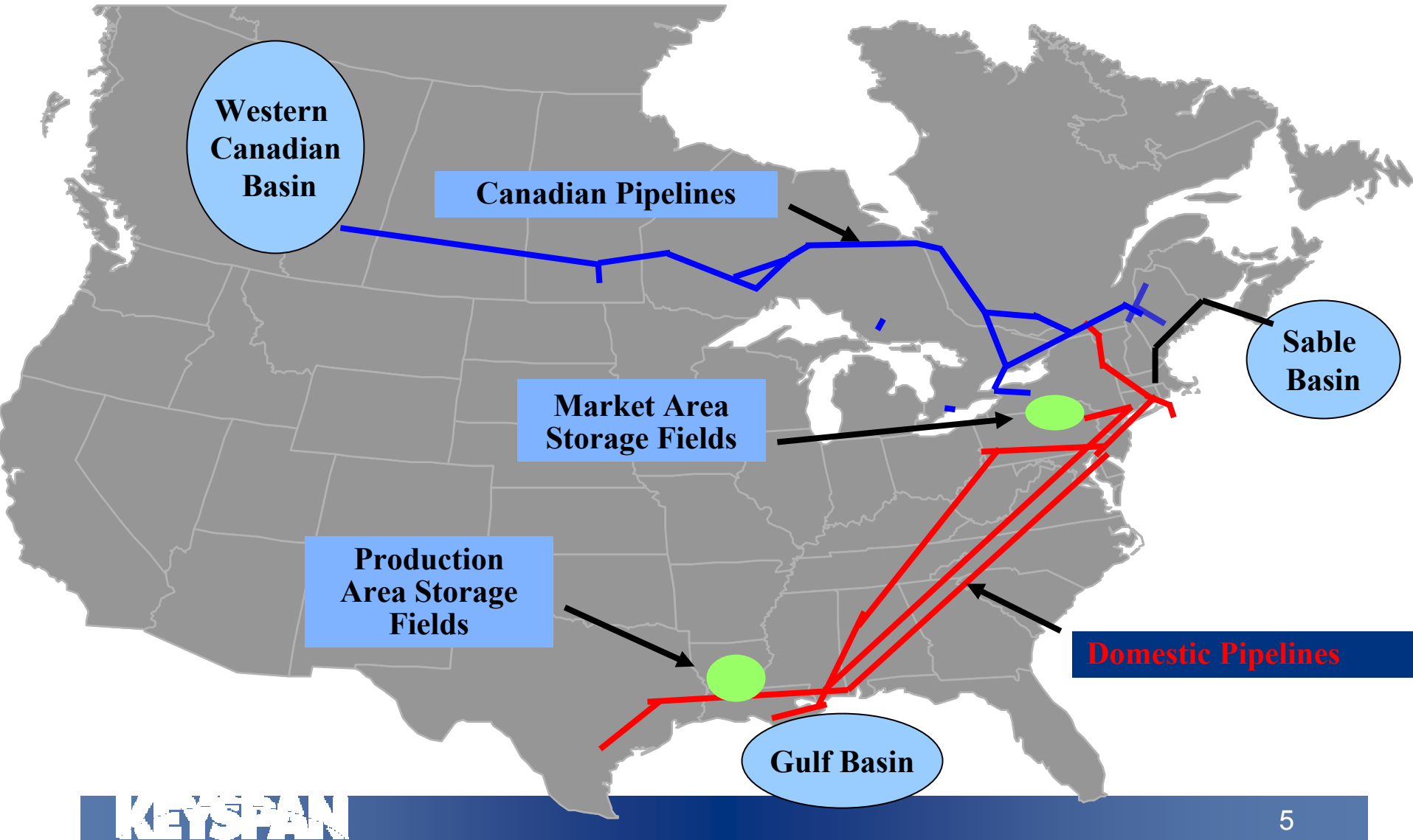
- Ensure supply reliability to all firm gas customers of KeySpan Energy Delivery .
- Minimize gas costs to mitigate the impact of stranded gas supply costs without compromising supply reliability.
- Ensure adequacy and reliability of unbundled services offered under Natural Choice.

Gas Supply Strategies

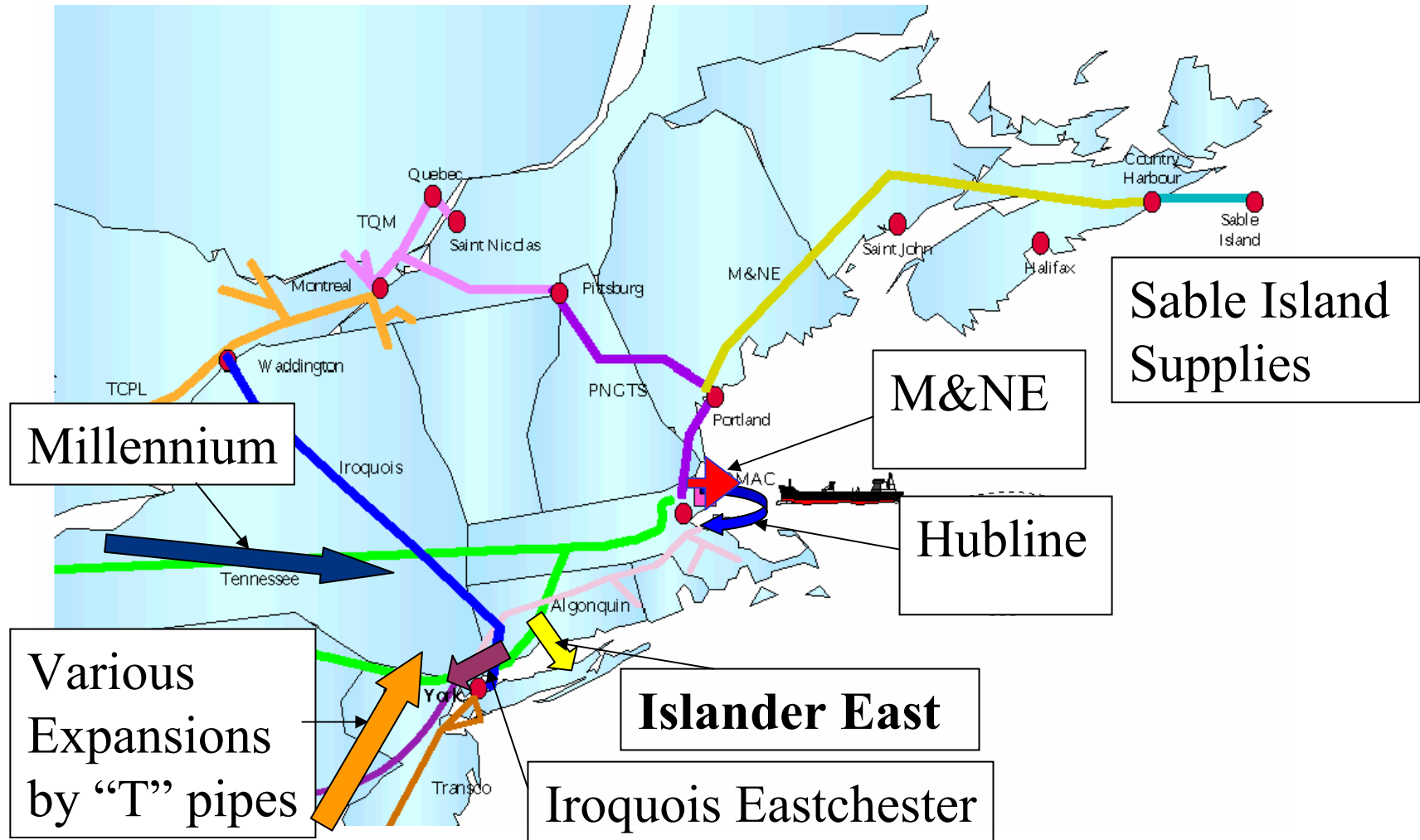
Portfolio Development & Restructuring

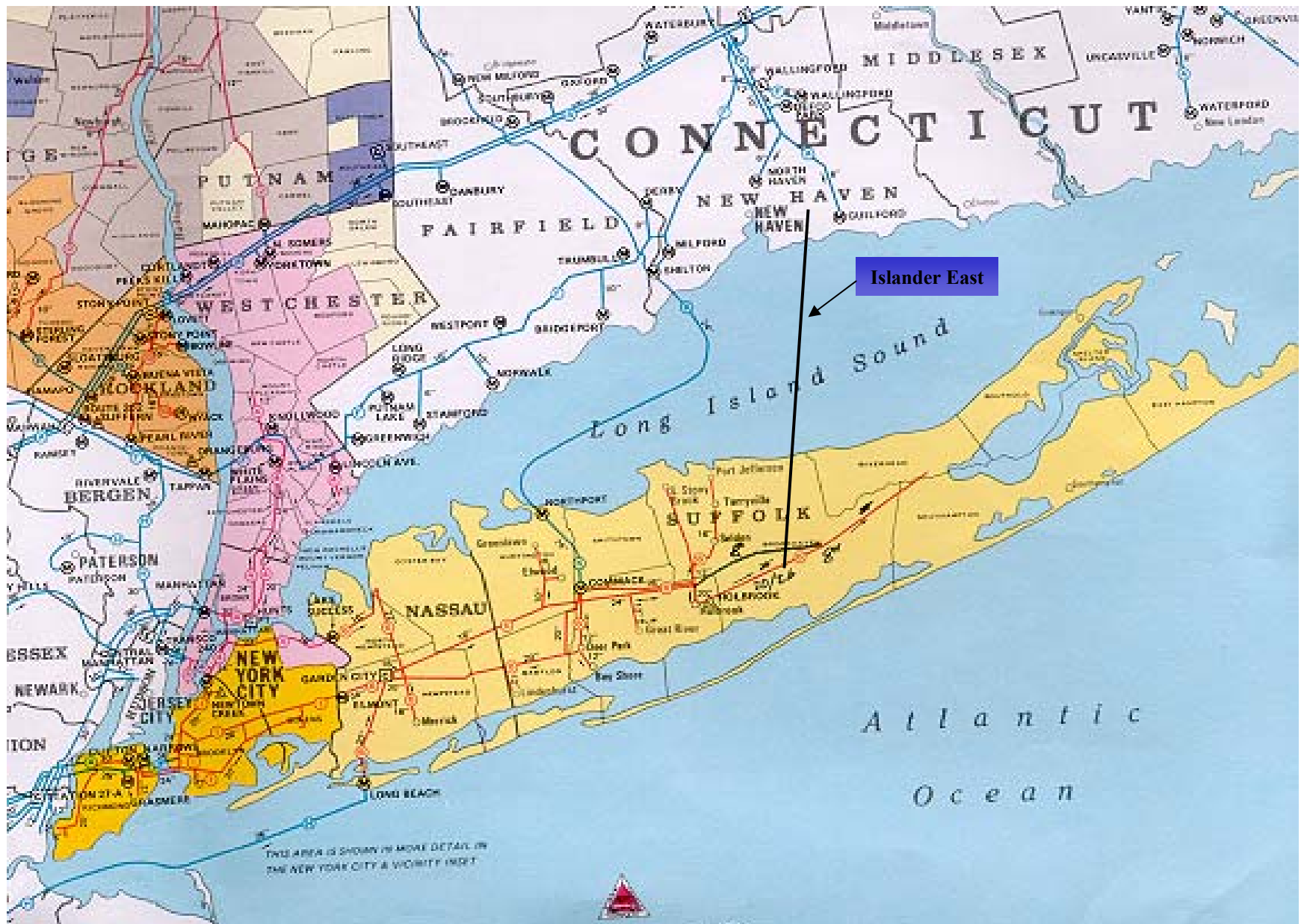
- Size utility portfolios to adequately serve growth in firm demand.
 - Time the acquisition of incremental firm capacity to coincide, to the extent possible, with expected load growth.
 - Ensure sufficient flexibility to balance load on an intra-day, daily and seasonal basis.
- Diversify portfolio assets to enhance supply reliability and mitigate price volatility.
- Restructure existing assets as opportunities arise to reduce fixed costs and better align portfolios to meet demand.
- Fulfill POLR obligation and protect against Retail Marketer supply failures under KeySpan's Natural Choice Program.

Diversified Portfolio Supply Sources



Northeast Regional Proposed Expansions

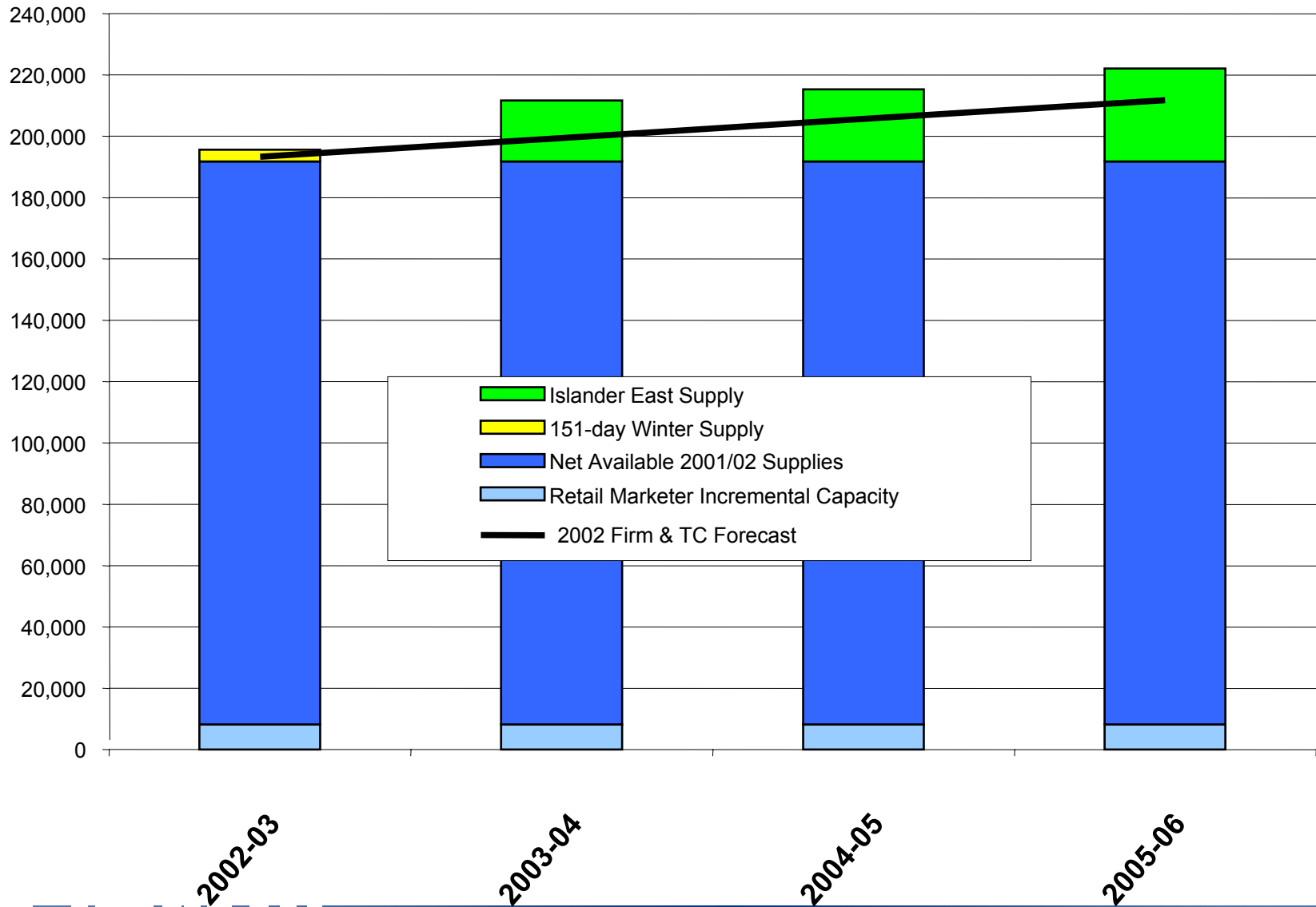




Islander East

KeySpan Winter Supply Outlook

Projected Design Gas Thruput Requirements vs Firm Supply (Mdt/Winter)



How Islander East Helps Ensure Reliability To Eastern Long Island

The last pipeline constructed to support the gas reliability and growth needs of the region was Iroquois in 1991.

Customer growth requires incremental supplies and a second pipeline for reliability sake.

The KeySpan Delivery Companies are Iroquois' largest firm transportation customer. Collectively, KED NY & LI hold contracts with Iroquois for 145,650 dth/day of firm transportation service.

- Iroquois is currently the only transmission pipeline that serves Suffolk County, Long Island. This service is provided through a single delivery point located in South Commack, Long Island.
- Islander East provides a new pipeline and delivery point to Eastern Long Island which significantly enhances the reliability of the KeySpan distribution system. With Islander East, a sustained outage on either the Iroquois or Islander East pipeline would not require KeySpan to curtail service to any firm customer since it increases the options needed to avert an emergency.

How Islander East Helps Minimize Reliability Concerns, Continued

KeySpan's reliability concerns extend not only to gas distribution but also to the cost and reliability of electric supply.

- KeySpan through its affiliate, KeySpan Utility Services, LLC is the purchasing agent for fuel used by KeySpan Generation LLC ("KeySpan Generation") to generate up to 4,400 megawatts of generating capacity on Long Island. This capacity constitutes most of the generating capacity on Long Island.
- Iroquois is the single interstate natural gas pipeline currently delivering gas for use in KeySpan's generating plants located in Suffolk County.
- Local electric reliability rules issued by the New York State Reliability Council require planning for the single failure of any gas pipeline.
- If Islander East is not constructed, in order to accommodate the reliability standard it will probably be necessary to install oil burning capability at any new plant.

Gas Pipeline Capacity and Supply Are Also Needed To Support Electric Generation Growth

- Natural Gas is clearly the preferred fuel for electric generators.
- In addition to the KeySpan Energy Delivery regulatory obligation to meet its firm customer reliability and growth needs, there is the need for incremental gas capacity and supply to serve future generation and the conversion of existing oil burning electric generation to gas.
- For example: one of Islander East's two generating customers is Brookhaven Energy (aka ANP). If and when its 580 mw plant is constructed in Brookhaven, LI, it would consume 90,000 dth/day of gas.

Take away points...

- KeySpan has a NYS Public Service Commission regulatory obligation to serve.
- A second LI Sound crossing is needed for reliability and supply reasons.
- The pipeline industry and KeySpan are striving to meet the demand needs of LI's gas customers in an appropriate and timely manner.
- The benefits are increased reliability and enhanced choices for all customers.