

Navigating the Use of NAESB and EEI Contracts

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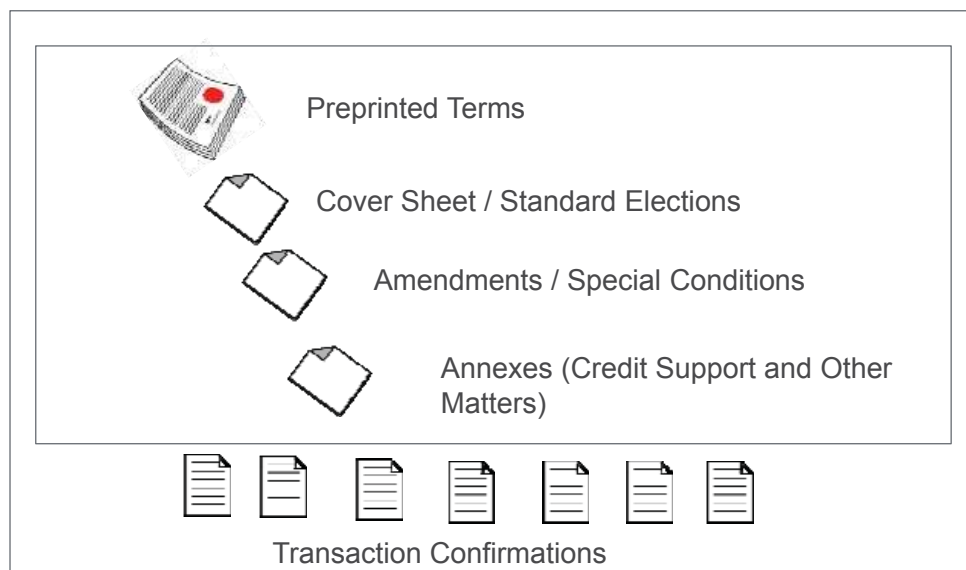
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Master Agreement Structure



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NAESB Base Contract for Natural Gas

- Developed by the North American Energy Standards Board
- Originally released in 1996 by Gas Industry Standards Board (the predecessor to NAESB)
- Current version was released in 2006
- Originally designed for short term trades (30 days or less)
 - Currently used for short and long term trades
- Designed and typically used for wholesale sales with delivery on or out of a common carrier pipeline
 - NOT designed or typically used for wellhead sales
 - NOT designed or used for retail sales
- Note that many NAESB terms are incorporated into the ISDA physical gas annex and into the EEL gas annex
- Available for order at <https://www.naesb.org/pdf/ordrform.pdf>

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Common Changes to the NAESB Master Agreement

- Representations and Warranties
 - The NAESB contains very limited representations and these are not repeated when each transaction confirmation is executed.
 - Consider adding basic representations for due organization, existence, good standing, authorizations/consents, validity/enforceability, solvency/bankruptcy, no litigation, no event of default.
 - Consider adding an “independent judgment” representation.
 - While the NAESB has an “agreement” that each party is a forward contract merchant, consider adding this as a representation.
 - Consider adding an eligible contract participant representation.
- Confidentiality
 - Consider adding an exception for providing information to regulators for regular reporting and if asked. Legal exception may not be broad enough.

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