

KeySpan Corporation
Corporate Policies and Procedures

Officer Stock Ownership Policy

KeySpan Corporation believes that the Corporation and its shareholders are best served when the interests of its officers are closely aligned with the interests of its shareholders. One method to achieve this alignment is by requiring officers of the Corporation to have an appropriate level of holdings in KeySpan stock.

Therefore, the Corporation has adopted this Officer Stock Ownership Policy.

This Policy establishes target levels of ownership of KeySpan stock for officers which must be achieved within a five-year period (beginning in 2002, or later, if applicable). Officers that do not meet the stock ownership requirements or are not on target to meet such requirements will be subject to certain remedial actions by the Corporation. The Policy is more fully set forth, as follows:

1) Stock Ownership Requirements

KeySpan's officers are expected to own shares of KeySpan stock with a value equal to a specific multiple of such officer's base salary, as indicated below:

<u>Officer Level</u>	<u>Target Level (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

2) Stock Ownership Credited Toward Stock Ownership Requirements

The following interests in KeySpan stock will be considered in calculating an officer's stock ownership holdings: 1) street holdings, 2) certificated shares, 3) Investor Program shares (DRIP Program), 4) Employee Discount Stock Purchase Plan (EDSPP) shares, 5) 401(k) Plan shares, 6) restricted stock, 7) 50% of performance shares (until performance shares are granted, then the number of shares actually granted will be included) and 8) Officer Deferred Stock Unit Plan shares. Shares underlying option grants will not be considered for purposes of this Policy. An officer will be considered as owning shares if he/she is considered to have "beneficial ownership" of such shares under the rules and regulations of the Securities and

Exchange Commission.

3) Time frame for Achieving Target Stock Ownership Levels

Officers have five years to achieve their stock ownership requirements. For those officers who held such status as of December 31, 2002, the five year period began on January 1, 2003. New officers will be required to meet their target level within five years of being elected as an officer. The increase in targeted ownership levels resulting from salary increases and/or promotions shall be satisfied within five years from the date of the event resulting in such increased target level.

4) Monitoring Stock Ownership Levels

KeySpan will monitor officer stock ownership levels on a quarterly basis and may implement any remediation measures outlined in Section 7 below, once an officer falls out of compliance or is anticipated to fall out of compliance.

5) Valuation of Stock

In an effort to mitigate the impact of fluctuations in KeySpan's stock price on compliance with this Policy, KeySpan stock will be valued by using a rolling average of the last four calendar quarters. The closing stock price on the last business day of each calendar quarter will be used to calculate the rolling average.

6) Interim Target Thresholds

Although officers have five years to achieve their stock ownership requirements, the Corporation will monitor each officer's pro-rata target threshold over the five year period on a quarterly basis. Officers that do not currently meet their stock ownership requirements or are not on target to meet their requirements over the five-year pro-rata basis, will be closely monitored and certain remedial provisions outlined in Section 7 below, may be implemented to ensure that such officer is on track to be in compliance with this Policy and their stock ownership requirements.

7) Remediation Measures

If it is determined that an officer is not in compliance or may not be in compliance with this Policy as a result of a transaction or otherwise, any one or all of the following measures may be taken:

- a) an officer may not liquidate any of his/her current holdings in KeySpan stock (i.e. cannot sell any shares held in the DRIP or EDSSP, cannot sell street holdings or certificated shares, etc.);
- b) an officer will not be permitted to suspend or reduce any current payroll

deductions for the purchase of KeySpan stock under any of the Corporation sponsored stock plans;

- c) 50% of an officer's after-tax profit from the exercise of stock options will be required to be retained in KeySpan stock;
- d) 50% of an officer's after-tax profit from the sale of restricted stock (once vesting is complete) will be required to be retained in KeySpan stock;
- e) 50% of an officer's after-tax profit from the sale of performance shares (once granted) will be required to be retained in KeySpan stock;
- f) 50% of an officer's incentive compensation award under the Annual Incentive Compensation Plan will be required to be deferred into stock units pursuant to the Officers Deferred Stock Unit Plan. Such 50% retention would be applicable to the next annual Officer Deferred Stock Unit Plan election period.
- g) an officer may not liquidate any of his/her current holdings in KeySpan stock (i.e. cannot sell any shares held in the DRIP or EDSSP, cannot sell street holdings or certificated shares, etc.) in the event such sale reduces the officer's stockholdings below the pro-rata target level.

8) Hardship Exemptions

There may be unanticipated events that result in a hardship for an officer, which may require an exemption from compliance with this Policy. Hardship exemptions may be granted by the Chief Executive Officer.

9) 401(k) Plan Exception

Except for including 401(k) Plan holdings in an officer's total stock holding, the remaining provisions of this Policy will not apply to an officer's 401(k) Plan participation or investments.

10) Stock Trading Policy; Interpretation of Policy

All officers subject to this Policy are also subject to the Corporation's Stock Trading Policy. All transactions made to comply with this Policy are subject to the limitations set forth in the Stock Trading Policy and if there is a conflict between this Policy and the Stock Trading Policy, those of the Stock Trading Policy shall control. Any needed interpretations of this Policy shall be made by the Chief Executive Officer.

Revised 1/26/06