

KEYSPAN CORPORATION

Corporate Governance Guidelines

The Board of Directors of KeySpan Corporation (“KeySpan” or the “Corporation”) has adopted the following corporate governance guidelines (the “Guidelines”). The 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 all of the Charters of the Committees of the Board.

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 the 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 and transactions;
- 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 laws and ethics, and its relationships with its employees, customers, suppliers, shareholders, other stakeholders and interested parties.

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 and independent 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.

All Directors shall advise the Chairperson of the Corporate Governance and Nominating Committee in writing, in advance of accepting an invitation to serve on the board of directors of another public company. The Corporate Governance and Nominating Committee shall make an assessment as to whether the Director's joining such additional board will create any conflict of interest or independence

issues and may ask that the Director either not join such other board or resign from the KeySpan Board.

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 (an immediate family member includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone, other than domestic employees, who shares such person’s home) of the Director was employed by KeySpan as an officer; (iii) 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; (iv) 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; (v) the Director was employed by or affiliated with KeySpan's independent auditor; (vi) an immediate family member of the Director was employed by KeySpan's independent auditor; (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. A Director will not be considered independent if: (i) the Director or an immediate family member of the Director currently serves as an executive officer of another company that does business with KeySpan and the annual sales to, or purchases from, KeySpan in any of the preceding three years, exceeds the greater of \$1 million or two percent of the annual consolidated gross revenues of the company; (ii) the 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 greater than one percent of the total consolidated assets of the company he or she serves as an executive officer; and (iii) if a Director serves as an officer, director or trustee of a tax exempt organization, and KeySpan's charitable contributions to the organization are greater than \$1 million or two percent of that organization's total consolidated

gross revenues. The Board will annually review all commercial and charitable relationships of the 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 that they are in compliance with the Corporate Policy Statement Concerning Ethical Business Conduct and the Corporate Policy Statement Concerning Affiliate Transactions. In addition, the Directors shall also annually certify that they have, and continue to agree to comply with, the KeySpan Corporation Board of Directors Code of Ethics which sets forth standards of diligence, loyalty, good faith and the avoidance of conflicts of interests for the Directors.

Lead Director

The independent Directors of the Board will select a Lead Director from among the independent Directors serving on the Corporation's Board. The responsibilities of the Lead Director include, but are not limited to, chairing, scheduling and coordinating the sessions of the independent Directors and of the non-management Directors, including all executive sessions; providing input and feedback on Board agenda items to the Chairman; serving as the principal communicator between the Board and the senior management team, reflecting Board views and providing one voice and perspective to management, in so far as there is a consensus among the independent and other non-management Directors; communicating with individual Directors about their performance in conjunction with the Chairperson of the Corporate Governance and Nominating Committee; and working with the Corporate Governance and Nominating Committee on Director qualifications, new Director recruitment and selection, and committee assignments.

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 and other non-management 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. The Committee may retain outside advisors, consultants or counsel to assist it in such review. Any changes to the Directors compensation and benefits must be approved by the full Board.

Director's Change in Present Job Responsibilities or Affiliations

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 change. In the case of a change in the Director's full time employment which could reasonably be expected to adversely impact the Director's performance of duties to the Corporation, it is required that such Director submit a letter of resignation to the Chairman of the Board. The Chairman of the Board shall inform the Lead Director and the Chairperson of the Corporate Governance and Nominating Committee of any such change. The specific circumstances of such change will be assessed by the Corporate Governance and Nominating Committee, on a case by case basis, to determine if the Director's resignation will be accepted by the Board. If a Director is considering joining the board of directors of another public company, the Corporate Governance and Nominating Committee must make an assessment as to whether the Director's joining such board would create any conflict of interest or independence issues for KeySpan and may request that the Director either not join such other board or resign from the KeySpan Board.

Retirement Age

Directors shall retire on the date of the annual meeting of shareholders following the date of his or her 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, 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, employee or department 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, in conjunction with the advice and consultation of the Lead Director and Chief Executive Officer, shall establish the agenda for all meetings of the Board of Directors. Any Director may request inclusion of an item on the agenda. The Chairman 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 in advance of the Board meeting.

Regular Attendance of Non-Directors at Board Meetings

At the invitation and approval of the Chairman and/or the Lead Director, non-directors, whether or not officers or employees 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, 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 Independent and Other Non-Management Directors

The independent and other non-management Directors of the Board shall meet at each regularly scheduled meeting of the Board to discuss any matter or recommend any action as the independent and other non-management Directors shall deem advisable consistent with the powers of the full Board. The Lead Director shall chair all executive sessions of the independent and other non-management directors.

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 at www.keyspanseenergy.com and are available in print to any shareholder who requests them. 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 all Board Members. 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 Chairperson of each Committee shall establish the agenda for their respective Committee meetings. Any member of a Committee may request that an item be added to the Committee agenda.

Advance Distribution of Committee Materials

The Corporate Secretary shall coordinate with the Chairperson of each Committee and distribute all materials necessary to conduct effective Committee meetings in advance of each meeting.

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, in consultation with the Chairman and the Lead Director, and as 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 emailed, 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 Chairperson 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.

Communications with the Board

Shareholders and other interested parties may communicate directly with the Board, any Director, including the Lead Director, any group of Directors, any non-management Director, 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 correspondences 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, provided on such communication. Further, any Director may at any time review a log of all correspondences 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 Board of Directors Code of Ethics and a Code of Ethics for Senior Financial Officers. In addition, all Directors, officers and employees are required to adhere to a Corporate Policy Statement Concerning Ethical Business Conduct and a Corporate Policy Statement Concerning Affiliate Transactions. All such documents may be viewed on the Corporation's governance website at www.keyspanenergy.com and any waivers granted to such ethics policies will also be posted on the website. These documents are also available in print to any shareholder who requests them.

Stock Ownership Requirements

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 board 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. As stated in the Corporation's Officer Stock Ownership Policy, which is available on the Corporation's governance website, examples of such remediation measures include a) that 50% of an officer's after-tax profit from the exercise of stock options will be required to be retained in KeySpan stock, b) that 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, and c) the mandatory retention of 50% of any annual incentive award paid in deferred stock units pursuant to the Officers Deferred Stock Unit Plan, until such time as compliance is achieved. The General Counsel will annually report to the Corporate Governance and Nominating Committee on the compliance of all Directors and officers with the Policy and advise the Committee on the implementation of any remediation measures, if applicable.

Stock Trading Policy

In accordance with the Corporation's Stock Trading Policy, Directors, officers and certain designated employees are generally not permitted to engage in transactions in the Corporation's stock (including the exercise of stock options), except during established trading window periods, and then only if they are not in possession of material, non-public information regarding the Corporation. A copy of the Corporation's Stock Trading Policy is available on the Corporation's website. All transactions conducted by Directors and executive officers are required to be reviewed with the Office of General Counsel prior to engaging in such transaction. The General Counsel will annually report to the Corporate Governance and Nominating Committee on all transactions conducted by the Directors and officers during the preceding calendar year and advise the

Committee of any issues or disclosures required to be made in the Corporation's proxy statement or other reports filed with the Securities and Exchange Commission.

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 fulfilling their duties to the Corporation.

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 with such continuing education opportunities. Such education may be provided in the form of written materials, conferences, seminars and/or providing in-house training. Directors are encouraged to attend director education programs provided by outside providers and are reimbursed by the Corporation for all expenses related thereto. Directors are to receive at least eight hours of director education training per year and the Corporation will provide opportunities for at least that amount of director education.

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, customers and other stakeholders. The Compensation and Management Development Committee shall, either as a Committee or together with the Lead Director and/or other independent and the non-management 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 the Chief Executive Officer and all other officers and the officers' future potential, including an assessment by the Chief Executive Officer of the officers' performance. As part of the Corporation's management development and succession planning program, the Board shall also annually review and approve the Chief Executive Officer and management succession plans.

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 April 3, 2007 and recommended to and approved by the Board of Directors on April 4, 2007.

Executive Vice President, General
Counsel, Secretary and Chief Governance
Officer