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October 6, 2004

**VIA E-MAIL AND FEDEX**

Robert Fernandez, Esq.  
General Counsel  
New York Independent System Operator, Inc.  
290 Washington Avenue Extension  
Albany, NY 12065

**RE: NYISO Retail Transactions and Gross Receipts Tax**

Dear Mr. Fernandez:

During the September 22, 2004 meeting of the NYISO's Business Issues Committee ("BIC"), it was noted that certain transactions by suppliers in the NYISO markets may have been retail in nature and accordingly the suppliers may potentially have liability for New York State Gross Receipts Taxes ("GRT") associated with these retail transactions. This issue arose due to the fact that the NYISO tariff allows "Direct Customers" to purchase electricity from the NYISO-administered markets. According to the NYISO, these purchases could be deemed retail transactions, and suppliers in the NYISO energy markets would be the parties that made the sales.

KeySpan-Ravenswood, LLC ("Ravenswood") sells capacity, energy and ancillary services at wholesale ("Wholesale Energy Products") pursuant to its market-based rate authority. In addition, Ravenswood is an Exempt Wholesale Generator ("EWG") under the Public Utility Holding Company Act. Ravenswood does not sell Wholesale Energy Products at retail. Moreover, Ravenswood is neither a provider of energy in any retail sales the NYISO may have purportedly made, nor a retail seller to any other entity. If the NYISO is doing anything that could be interpreted as selling energy at retail, it should immediately cease and desist such activities to the extent that such purported retail activities may taint the wholesale market it administers and the wholesale participants in that market, such as Ravenswood.

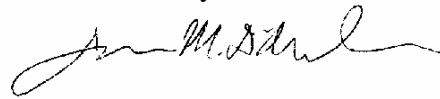
The NYISO Services Tariff is a wholesale tariff that was established for wholesale transactions. Any sales into FERC-jurisdictional ISO-administered wholesale markets are solely wholesale transactions. As noted above, Ravenswood is an EWG and it does not, nor is it authorized to, make retail sales because such sales would be in violation of its EWG status and/or its market-based rate authority. Moreover, Ravenswood's EWG status and market-based rate authority approvals were premised on the fact that Ravenswood would participate only in the NYISO *wholesale* energy market and refrain

from engaging in any retail sales. The NYISO has no authority to force Ravenswood to make retail sales. It would be in violation of Ravenswood's express mandates if the NYISO exposed Ravenswood to any form of participation in retail transactions.

Ravenswood's continued participation in the NYISO market is conditioned on there being no exposure to liability for the GRT. The NYISO must do what is necessary to ensure that Ravenswood is not deemed to be engaging in retail sales to Direct Customers or otherwise. The NYISO's Services Tariff is a wholesale tariff and transactions made pursuant to such a tariff must be restricted to wholesale transactions only. Accordingly, as necessary, the NYISO should immediately cease entering into or facilitating any transactions that are potentially retail in nature.

Thank you for your attention to this serious issue. Please don't hesitate to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. D'Andrea", written in a cursive style.

James M. D'Andrea

cc: William Museler