

## ENERGY EAST CORPORATION AUDIT COMMITTEE CHARTER

### Purpose

The primary purpose of the Audit Committee is to assist the Board of Directors in its oversight of (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with legal and regulatory requirements, (iii) the independent public accountant's qualifications and independence, and (iv) the performance of the Corporation's internal audit function and independent public accountants. The Audit Committee also has responsibility for maintaining a direct line of communication between the Committee and the Corporation's independent public accountant, financial officers, and the general auditor. The Committee also assists the Board of Directors in overseeing the Corporation's Compliance Program.

### Composition

The Audit Committee shall be comprised of at least three members of the Board of Directors. The Committee members and Chairperson shall be appointed by the Board of Directors. Each member appointed to the Committee must be financially literate and meet the independence requirements of the New York Stock Exchange and the Securities and Exchange Commission. At least one member must have accounting or financial management expertise. The Board of Directors will determine whether at least one Committee member qualifies as an "audit committee financial expert" in accordance with rules adopted by the Securities and Exchange Commission. Members of the Committee shall not simultaneously serve on the audit committees of more than two other public companies.

### Meetings

The Audit Committee shall meet at least four times annually. Additional meetings may be called by the Chairperson of the Committee in the Chairperson's sole discretion, or at the request of the Board of Directors, the chief financial officer, the chief accounting officer, the general auditor or the Corporation's independent public accountant. Attendance at Committee meetings by officers and employees of the Corporation, the independent public accountant and others is at the discretion of the Committee Chairperson.

## Responsibilities

In carrying out its responsibilities, the Audit Committee:

1. Is directly responsible for the appointment, compensation, retention and oversight of the independent public accountant engaged to audit the Corporation's financial statements. Advises such public accountant that they report directly to the Committee. Approves, either directly or through pre-approval policies and procedures, all audit and permitted non-audit services to be performed by the independent public accountant before the independent public accountant is engaged by the Corporation to perform such services. Considers the possible impact that the provision of any non-audit service may have on the independence of the independent public accountant. May delegate to one or more of its members the authority to grant pre-approvals. Is informed at each of its scheduled meetings, of each service performed by the independent public accountant that the full Committee has not specifically pre-approved.
2. Reviews the experience and qualifications of the senior members of the independent public accountant who are engaged on the Corporation's account and the quality control procedures of the independent public accountant. Is responsible for ensuring that the independent public accountant submits on a periodic basis a formal written statement delineating all relationships between the accountant and the Corporation and engages in a dialogue with the accountant with respect to any disclosed relationships or services that may impact the objectivity and independence of the accountant and takes action to satisfy itself of the accountant's independence. At least annually, obtains and reviews a report from the independent public accountant describing: the firm's internal quality control procedures, any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues. Meets with the independent public accountant to discuss the scope of the upcoming audit and again to discuss the results of the audit.
3. Meets at least annually with the independent public accountant, management and the general auditor to discuss the adequacy of the Corporation's system of internal controls over financial reporting (including any special audit steps adopted in light of material control deficiencies), the annual and quarterly financial reporting process and the Corporation's major financial and non-financial risk exposures and the steps that management has taken to monitor and control such exposures. Reviews the Corporation's annual financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the related opinion of the independent public accountant with management and the independent public accountant prior to the release to shareholders and the filing with the Securities

and Exchange Commission of the Corporation's annual financial statements and the related opinion of the independent public accountant.

4. Discusses with management and the independent public accountant any changes in accounting principles or financial disclosure practices, including the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements. Discusses with management and the independent public accountant their qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and financial disclosure practices used or proposed to be adopted. Is advised when management seeks a second opinion on an accounting matter from another independent public accounting firm. Discusses with the independent public accountant any audit problems or difficulties encountered in the course of its audit work and management's response. Resolves disagreements between management and the independent public accountant regarding financial reporting.
5. Discusses with management and the independent public accountant, the Corporation's quarterly financial statements prior to filing the Form 10-Q, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," the results of the independent public accountant's review of the quarterly financial statements and the adoption of any new accounting principles or changes to existing principles.
6. Reviews any disclosures made to the Committee by the Corporation's chief executive officer and chief financial officer in connection with their certification process for the Corporation's reports on Forms 10-K and 10-Q regarding significant deficiencies in the design or operation of internal controls over financial reporting and any material weaknesses in internal controls over financial reporting, and any fraud that involves management or other employees who have a significant role in the Corporation's internal controls over financial reporting.
7. Discusses in general terms, earnings press releases, including the use of "pro forma," or "adjusted" non-GAAP, information, as well as financial information and earnings guidance provided to analysts and rating agencies, but does not have to discuss in advance each earnings release or each instance in which the Corporation provides financial information or earnings guidance to analysts or rating agencies.
8. Discusses with the general auditor at each Committee meeting the results of completed audits. Annually reviews the internal audit department's objectives, planned work and staffing plans, as well as its coordination of activities with the independent public accountant.
9. Reviews any changes to the internal audit department charter and the appointment or replacement of the general auditor.

10. Oversees the operation of the Corporation's Compliance Program by meeting, no less than twice each year, with the Corporation's general counsel and the Corporation's compliance officer to: (i) on an annual basis, review the Corporation's Compliance Program to prevent and detect violations of laws and regulations by Corporation employees and agents; (ii) on an as-needed basis, review reports of significant compliance and ethics related activities within the Corporation; and (iii) on an annual basis, review certifications by the Corporation's general counsel and the Corporation's compliance officer that the Corporation's Compliance Program is effective and complies with the applicable legal and regulatory requirements.
11. Advises the independent public accountant that it expects to be informed as soon as practicable concerning any possible illegal acts that have been detected, unless the illegal act is clearly inconsequential. Ensures that management takes timely and appropriate remedial actions with respect to the reported illegal acts.
12. Provides the report required by the Securities and Exchange Commission to be included in the Corporation's annual meeting proxy statement.
13. Inquires at each Committee meeting whether there are any matters that require the Committee's special attention.
14. Meets separately in executive session with the independent public accountant, management, the general auditor and any other person that the Committee desires to meet with in executive session.
15. Reports to the Board of Directors on the Committee's activities on a regular basis.
16. Annually evaluates its performance. Reviews and assesses the adequacy of this charter on an annual basis and recommends any proposed changes to the Board of Directors for approval.
17. Approves the Corporation's hiring of employees of the independent public accountant who were engaged on the Corporation's account.
18. Establishes procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

### Resources and Authority

The Audit Committee has access to all corporate documents and records. It may, in its

sole discretion:

1. Enlist the aid of the Corporation's staff to perform work necessary to fulfill its responsibilities.
2. Retain independent counsel, accountants or other advisors to fulfill its responsibilities.
3. Institute investigations of improprieties or suspected improprieties.
4. Take any additional action it deems necessary to fulfill its responsibilities.

The Corporation shall provide appropriate funding to enable the Audit Committee to fulfill its responsibilities.

Although the members of the Audit Committee may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing, in any event, they do not serve the Corporation in such capacities. While the Committee has the responsibilities set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of management and the independent public accountant. In carrying out its responsibilities, the Committee may reasonably rely on the expertise of management, the independent public accountant or other advisors.