

## COMPENSATION COMMITTEE CHARTER

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Southern Union Company, a Delaware corporation (the “Company”), in accordance with its powers and purposes as set forth in Article V of the Bylaws of the Company, as amended from time to time, shall, among other things:

- A. Consist of at least two members of the Board, all of whom shall be, in the business judgment of the Board, “independent” under the rules of the New York Stock Exchange and any other securities exchange on which the Company’s securities are listed. A majority of members shall be “independent” (as such term is defined in Section 162(m) of the IRC or any similar subsequent statutory provision or related rule or policy); to the extent the Company deems Section 162(m) of the Internal Revenue Code of 1986, as amended (the “IRC”) compliance beneficial, then only such members shall vote.
- B. Possess the authority to delegate some or all of its duties to a subcommittee comprising one or more members of the Committee.
- C. Have direct responsibility to:
  1. Consistent with the Board’s objectives for the Company, review and approve corporate goals and objectives relevant to the compensation of all persons employed or to be employed as officers of the Company having the rank of Vice President and higher and all other employees of the Company receiving an annual base salary of \$120,000 or higher (collectively, the “Senior Executives”), including the Company’s principal goals and objectives to be used to incentivize, and to determine the compensation of, the Senior Executives. In determining the long-term incentive component of the Senior Executives’ compensation, the Committee should consider, among other factors, the Company’s performance and relative stockholder return, the value of similar incentive awards to persons holding comparable positions at comparable companies, and the awards given to the Senior Executives in past years.
  2. Evaluate the performance of the Senior Executives in light of those goals and objectives. Such evaluation shall occur at least annually and more frequently as the Committee determines appropriate including for the purpose of achieving tax planning goals.
  3. Determine and approve the Senior Executives’ compensation level based on such evaluation.
  4. Make recommendations to the Board with respect to the general compensation, benefits and perquisites policies and practices of the Company, including, without limitation, the compensation policies, goals, and objectives, and appropriate incentive-compensation plans and equity-based compensation plans for such purposes, for the Company’s (including its material divisions, subsidiaries and controlled or managed business interests and opportunities) remaining executive officers in addition to the Senior Executives identified in item 1 above.

5. With respect to executive compensation, determine and approve policies, benchmarks, targets and measures affecting compliance with, and consistency between, Section 162(m) of the IRC and the Company's compensation policies, goals and plans.
  6. Approve equity-based compensation plans not subject to stockholder approval.
  7. Ensure that (1) a proper system of long-term and short-term compensation is in place for management, (2) compensation plans are appropriate for the Company including being competitive with comparable companies for comparable managers and positions, and (3) compensation plans properly reflect the Committee's and the Board's objectives for, and performance and realization thereof by, management and the Company.
  8. Produce Committee reports on Senior Executive and other executive compensation as required (no less often than annually and more frequently if objectives so require) by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.
  9. Periodically review and make recommendations to the Board with respect to non-employee director compensation, and administer any related director compensation plans.
  10. Conduct an annual evaluation of the Committee's performance. As part of such evaluation, the Committee shall compare its performance with the requirements of this charter, identify its objectives for the next year, review and reassess the adequacy of this charter and recommend to the Board changes in this charter, if any, considered appropriate by the Committee. Such evaluation shall be reported to the Board at least annually in such manner as the Committee determines.
- D. Perform or cause to be performed such other duties, functions or investigations with respect to the Company's compensation policies, goals and plans as the Committee deems necessary and consistent with Article V of the Bylaws of the Company, or as specifically directed by the Board.
- E. Conduct or authorize, as the Committee deems appropriate, surveys or studies of matters within the Committee's scope of responsibilities as described above, including, but not limited to, surveys or studies of compensation practices in relevant industries, to maintain the Company's competitiveness and ability to recruit and retain highly qualified personnel. Accordingly, the Committee may retain and terminate, at the expense of the Company, independent counsel or other consultants it deems necessary to assist in its duties. If any compensation consultant, firm, counsel or other advisor is to be used to assist in the evaluation of director, Senior Executive or other senior executive compensation, then the Committee shall have sole authority to retain and terminate such party, including sole authority to approve such party's compensation and other material terms of their engagement.