



Code of Conduct

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Letter from the Chairman

Dear Colleague:

We are a respected, super regional energy services and delivery company that our customers can depend upon every day. All of us benefit when our Company has an unblemished reputation. Each of us, in turn, can help maintain our Company's reputation by insisting on the highest ethical standards in all of our business activities.

Energy East's Code of Conduct addresses areas of compliance and provides guidance that promotes sound, ethical business practices. The Code of Conduct cannot, and does not, anticipate every issue or situation in which choices and decisions must be made. Inherent in the Code of Conduct is a personal commitment from each of us to do the right thing when conflicts may occur.

I encourage each of you to read the Code of Conduct and to keep it handy for future reference. If you are uncertain about what is appropriate behavior or have questions or concerns about how the Code of Conduct might apply in a specific situation, I urge you to discuss them with either your supervisor, your subsidiary Compliance Officer, Energy East's Compliance Officer (585-724-8149) or you can contact the Energy East EthicsLine (**1-800-500-0333**).

A handwritten signature in black ink that reads "Wes".

Wes von Schack
Chairman, President & Chief Executive Officer

Purpose of Our Code of Conduct

Energy East's Code of Conduct provides guidance to each of us and assists us in carrying out our daily activities within appropriate ethical and legal standards. The Code of Conduct applies to employees, officers and directors of Energy East and its subsidiaries.

Energy East also expects its agents, e.g., contractors, consultants, etc. doing business with the Company, to comply with all applicable laws and regulations, and to behave in a manner consistent with the Energy East Code of Conduct when doing work for the Company.

In reviewing the Code of Conduct, the reference to "Energy East" or "Company" refers to Energy East and its subsidiaries, the reference to "supervisor" refers to officers, managers, supervisors or others who have responsibility supervising employees or agents, and the reference to "director" refers to the Energy East Board of Directors. You will also note that various references are made to subsidiaries' policies and procedures where more details regarding the subject covered in the Code of Conduct may be found. Each employee is required to review the applicable subsidiary policy and procedures where a full understanding of the particular subject is necessary for the proper handling of your situation or responsibility. Some subsidiaries are involved in joint ventures with other companies. If you represent Energy East or a subsidiary in a joint venture, you must also comply with all applicable laws and regulations, as well as with the Code of Conduct.

The Code of Conduct also represents our "Code of Ethics" and highlights what Energy East believes in and expects regarding employee, officer and director responsibility and conduct. The Code of Conduct also contains laws and regulations, as well as ethical standards that help guide our behavior and represent a framework for decision-making. Every employee is expected to comply with all applicable laws and regulations, Energy East's core values and subsidiary policies and procedures, as well as your own personal commitment to ethical behavior. We must strive to maintain Energy East's reputation for integrity and support Energy East's commitment to act in accordance with the highest standards of ethical conduct.

The Code of Conduct cannot possibly identify all the situations where you may encounter an ethical challenge or every law or regulation with which Energy East must comply. The Code of Conduct also is not a comprehensive rule book and in many instances requires behavior that goes beyond the requirements of applicable laws and regulations.

Our core values represent how we conduct our business and what is important to our team...

Integrity *We are ethical in all we do.*

Respect *We respect and care for each other.*

Accountability *We take ownership and financial responsibility for our actions.*

Teamwork *We achieve our strategic objectives together.*

Innovation *We encourage creativity and innovative thinking.*

Competitiveness *We strive to be the best.*

The best course of action is not always obvious. The following steps may be useful in reaching a decision:

- Gather the facts
- Identify the issue(s)
- Use available resources
- Identify the standards that apply (e.g., values, laws, policies)
- Consider the options
- Consider the consequences of the decision

Answering the following questions may also provide the guidance you need for a particular situation:

- Does my action comply with the intent and purpose of Company policies and practices?
- Can I defend my action in front of supervisors, fellow employees and the public?
- Will this action compromise me if it becomes known to my supervisor, fellow employees, friends and subordinates?
- Is this action honest in every respect?
- Could this action appear inappropriate to others?
- Can I feel comfortable about doing this, or does it violate my personal code of conduct?
- Should I ask about this before acting?

It would be nice if every business conduct decision were cut and dried, with no exceptions or compromises. A lot of them are, but some are not. Some decisions are in the gray areas and can present us with real dilemmas. You can best protect yourself and Energy East if you ask for guidance before acting. In any case where a supervisor is not absolutely certain of an answer or interpretation, the issue should be reviewed with the next level of supervision, or you may review the issue with your subsidiary Compliance Officer or the Energy East Compliance Officer.

Each of us is responsible for our own conduct. No one, regardless of position, can direct you to engage in or tolerate wrongful acts. The Code of Conduct should be used as a resource, and if you have a concern or question about whether you or others are doing the right thing bring the issue immediately to the attention of your supervisor. Remember that the time to ask a question about ethical or legal behavior is before you act.

If your job involves supervising employees or agents, e.g., contractors, consultants, etc., you have an obligation to lead by example. Supervisors have a special responsibility to provide the kind of leadership and work environment necessary to encourage ethical behavior. An important part of a supervisor's leadership responsibility is to set an example by exhibiting integrity in all dealings with fellow employees, customers, suppliers and the community at large. You must create an atmosphere that promotes ethical behavior, supports Energy East's Compliance Program and helps prevent violations. You should encourage others to ask questions and seek guidance if faced with a compliance or ethical issue. It is also the responsibility of supervisors to ensure that their employees understand and comply with the Code of Conduct.

This Code of Conduct replaces the prior version of the Code dated February 2001. Energy East may change, modify, create or eliminate any provision in this Code of Conduct or any policy, practice and procedure at any time without prior notice. Because the provisions of the Code of Conduct and referenced policies are subject to change at any time, you are expected to check periodically for updates and revisions on Energy East's Internet website (www.energyeast.com). In the event of inconsistencies between versions of the Code of Conduct, the online version found on Energy East's Internet website will apply from the time it is posted. If you cannot access Energy East's Internet website to review the Code of Conduct, or to obtain a copy of the Code of Conduct, please contact your supervisor, subsidiary Compliance Officer or Energy East's Compliance Officer.

Any waiver of the Code of Conduct for directors or executive officers may be made only by the Energy East Board of Directors or a board committee and must be promptly disclosed to shareholders.

Compliance & Ethics Office

Energy East has established a Compliance & Ethics Office to direct the Energy East Compliance & Ethics Program ("Compliance Program"). Energy East's Compliance Program serves as a comprehensive plan to prevent and detect violations of laws and regulations. In addition, it addresses the seven due diligence steps outlined in the Sentencing Guidelines for Organizational Defendants (the "Guidelines").

Energy East's Audit Committee of the Board of Directors has oversight responsibility for the Compliance Program. Energy East's Executive Vice President and Chief Financial Officer is responsible to oversee the design and implementation of the Compliance Program and to ensure that the Compliance Program is effective under the Guidelines and other applicable legal and regulatory mandates. Energy East's Compliance Officer is responsible to direct the day-to-day operation of the Compliance Program, to administer the process of developing,

implementing and maintaining an effective compliance program, and to direct subsidiary management efforts to maintain effective compliance functions that support the Compliance Program. The subsidiary Compliance Officers are responsible for developing and maintaining compliance functions, such as written communications, training, monitoring, etc., as well as providing guidance to employees and addressing employee reports.

Employees are encouraged to contact either your supervisor, your subsidiary Compliance Officer (refer to below), or the Energy East Compliance Officer for guidance or clarification as to how the Code of Conduct may apply to specific situations, to report inappropriate conduct or to report actual or suspected violations of laws or regulations or the Code of Conduct. An alternative would be for you to contact the Energy East EthicsLine (**1-800-500-0333**).

Company	Compliance Officer	Phone #
Energy East	Larry LaShomb	(585) 724-8149
NYSEG & RG&E	Jeff Clark	(585) 771-2291
CMP	Kathy Case	(207) 626-9516
CNG & SCG	Janet Janczewski	(203) 382-8195
Berkshire Gas	Cheryl Clark	(413) 445-0249

Reporting Violations

If you suspect or have knowledge of a violation of a law or regulation, or of the Code of Conduct, you have an obligation to report it to your supervisor, or you may report it to your subsidiary Compliance Officer, to Energy East's Compliance Officer, or you can contact the Energy East EthicsLine (**1-800-500-0333**). Supervisors must promptly communicate the employee report either to the appropriate management group responsible for the compliance area, e.g., human resources, legal, security, safety, environmental, or to their subsidiary Compliance Officer or to Energy East's Compliance Officer. Even if an employee does not specifically make a complaint, a supervisor must report situations where they suspect or believe a violation has occurred. You are also expected to seek guidance or clarification from your supervisor about how the Code of Conduct may apply to specific situations before you act. Every effort will be made to maintain confidentiality to the maximum extent possible and protect your identity, or you may elect to report anonymously by contacting the Energy East EthicsLine.

Energy East will not tolerate any form of reprisal or retaliation against any employee reporting actual or suspected violations of laws or regulations or the Code of Conduct. Those who retaliate will be subject to disciplinary action, up to and including discharge.

Energy East's EthicsLine is an alternative means of seeking guidance or clarification, or to report a suspected or actual violation of a law or regulation, or the Code of Conduct. Your EthicsLine call will be handled in a confidential manner and answered by a representative from an independent service provider. You may even choose to remain anonymous. The EthicsLine is staffed 24 hours a day, 7 days a week. The service provider forwards a written report for each EthicsLine call to Energy East's Compliance Officer for follow-up and, where necessary, for further investigation to resolve the matter.

Energy East's EthicsLine may also be used for the confidential reporting of concerns regarding accounting, internal accounting controls and auditing matters, or questionable accounting or auditing matters. You may choose to remain anonymous. Energy East's Compliance Officer will review each complaint to determine the necessary follow-up, including where necessary, investigation to resolve the matter. The chair of the Audit Committee of the Board of Directors is informed of any significant and material accounting complaints.

Each report of a suspected or actual violation will receive a prompt review, and a determination will be made as to whether the facts warrant further investigation. No adverse action will be taken against any employee as a result of a good faith report of a violation. Every employee is expected to cooperate fully in any investigation of misconduct or work-related matters. Failure to do so will constitute a violation of Energy East standards. Any form of retaliation against an employee for cooperating in an investigation will not be tolerated. Employees may not discuss or disclose to anyone information concerning the investigation without authorization.

Discipline

If we violate laws or regulations, or Energy East's Code of Conduct, we will be subject to disciplinary action, up to and including discharge. In addition, certain violations may be referred to legal authorities for investigation and civil or criminal prosecution. The form of discipline is case specific. Appropriate and consistent disciplinary measures for anyone who violates laws and regulations or the Code of Conduct reinforce our commitment to ethical behavior in all our business activities.

Laws and Regulations

Energy East is committed to complying with all applicable laws and regulations. Many laws and regulations are complex and difficult to interpret; however, ignorance of the law does not excuse Energy East or each of us from our obligation to comply. Similarly, Energy East expects all agents, e.g., contractors, consultants, etc. doing business for Energy East, to comply with all applicable laws and regulations.

All officers and supervisors are responsible for understanding the laws and regulations that affect their areas of operation and for ensuring that all of their employees receive adequate information and instruction to enable them to understand and comply with applicable legal and regulatory requirements that may vary by job function. It is also important to recognize that no matter what the job, there are legal standards that apply to it. Certain legal and regulatory requirements of particular importance to Energy East are generally described below. However, for detailed information regarding compliance with legal and regulatory requirements, employees should consult their supervisors, refer to the appropriate subsidiary policy and/or department procedures and/or consult with your subsidiary legal department.

Accuracy of Company Records

Energy East will record and report full, fair, accurate, timely and understandable disclosure of information in reports and documents filed with or submitted to the Securities and Exchange Commission (SEC) and in other public communications. The integrity of Energy East's financial reporting process is vital. Reliance on our financial information by shareholders, regulators, lending institutions and others requires a commitment from each employee to comply with Energy East standards of financial reporting.

Energy East's books and records must accurately and fairly reflect the Company's and its subsidiaries' assets and transactions in reasonable detail and internal controls must provide reasonable assurances that:

- Transactions are properly authorized, recorded, summarized and reported with no fraudulent or misleading entries.
- Books and records and other assets are safeguarded against unauthorized or improper use, alteration or disposition.
- Financial statements are prepared from reliable information and fairly present, in all material respects, the financial condition and results of operations of Energy East and its subsidiaries in conformity with appropriate accounting standards, laws and regulations.
- No payment or approval for payment is made for any use other than that specifically described by documentation supporting the payment.

Each of us records or reports information in the course of our work. For example, you complete expense reports, time sheets, medical claim forms, etc., or prepare reports to regulatory agencies, financial reports of earning, reports of customer contacts and personnel reviews.

All business and financial transactions must be reported in accordance with generally accepted accounting principles and with Energy East's internal control procedures. No director, officer or employee should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

Q: *Does my supervisor have the authority to make me charge an incorrect work order or account?*

A: No. Every employee must ensure that, in the transactions that they conduct or support, all charges to a work order or account is accurate and proper.

Records Management

Energy East's records management program involves keeping and protecting confidential and vital information to provide us with the ability to respond to internal and external inquiries in a timely manner. It is important to remember that effective records management means retaining only information that is required and disposing of records and copies that no longer meet any compliance or business requirements, including drafts of documents that have become finalized. Each of us needs to make sure that the records for which we have responsibility are kept in compliance with the Company's records management program.

Q: *I keep all of my records on my PC and I haven't used all of its memory. Why does it matter if I keep something longer than the retention schedule says to keep it?*

A: Energy East's records management program is not only about saving time, space and money but also about complying with legal and regulatory requirements. Keeping the record longer than is required by law is not an acceptable way to manage Company records. Records management needs to be consistent throughout the Company in order to demonstrate that Energy East has an effective records management program.

Affiliate Rules and Transactions

Transactions between a regulated utility and Energy East or its other regulated or non-regulated affiliates may be subject to sets of standards issued by the individual state commissions governing the regulated utility. In addition, these transactions may also be subject to rules set forth by the Federal Energy Regulatory Commission (FERC) and the SEC under the Public Utility Holding Company Act.

Employees will comply with all statutes, regulatory rules and orders, and accounting standards as they apply to transactions between affiliates. Affiliate transactions involve the provision, sale, assignment, transfer or lease of goods, services or other assets between a regulated utility and Energy East or its other affiliates. These standards and cost allocation requirements are referred to as affiliate rules. They were issued to ensure that transactions between a regulated utility and Energy East or its affiliates are appropriate. They protect against the regulated utility showing favoritism toward its affiliates, sharing certain information with affiliates or applying inappropriate affiliates' costs to the regulated utility. You should consult your supervisor, subsidiary Compliance Officer or Energy East's Compliance Officer, as well as your subsidiary affiliate rules for guidance on how they apply to your particular situation.

Q: *Do these affiliate rules apply to transactions between unregulated affiliates?*

A: No. The affiliate rules apply only to transactions between a regulated utility and Energy East, or Energy East's other regulated or non-regulated affiliates.

Q: *Do these affiliate rules apply to dealings between regulated affiliates?*

A: Yes. Each regulated affiliate may have affiliate rules and must follow their respective rules when dealing with any other Energy East affiliate even if the affiliate is also a regulated utility.

Harassment and Discrimination

Respect is the cornerstone of creating a harassment-free and discrimination-free work environment where employees can contribute to their fullest potential. Employment decisions must be made based on merit and qualifications without regard to an individual's gender, race, color, religion, national origin, age, physical or mental disability, marital status, sexual orientation, veteran status, or other conditions protected by law.

Harassment is a form of discrimination that has the purpose or effect of unreasonably interfering with an individual's work performance, creating a hostile, or offensive work environment, or otherwise adversely affecting an individual's employment opportunities.

Harassment may include, but is not limited to, the use of epithets, slurs, stereotyping, intimidating or offensive conduct, displaying or distributing offensive materials, and making offensive jokes and comments based on the above classifications.

Energy East does not tolerate harassment or discrimination and will take prompt corrective action if violations occur. Complaints will be kept confidential to the maximum extent possible and retaliation is strictly prohibited. Employees must report harassment or discrimination to either their supervisor, subsidiary human resources representative, subsidiary Compliance Officer, Energy East's Compliance Officer or you can contact the Energy East EthicsLine (**1-800-500-0333**). Supervisors or compliance officers must report any complaint to the human resources representative prior to attempting resolution.

Q: *If I report harassment without giving my name, will anything be done about it?*

A: Yes, every report will be investigated regardless of whether you give your name or choose to report anonymously.

Q: *One of my co-workers has a habit of telling offensive jokes. This offends me and others in my group. How can I get it to stop?*

A: Energy East prohibits this type of behavior. You have the option of discussing this concern with the person telling the jokes. If you cannot or do not wish to resolve the concern in this way, you should discuss the concern with either your supervisor, subsidiary human resources representative, your subsidiary's Compliance Officer, Energy East's Compliance Officer or you can contact the Energy East EthicsLine (**1-800-500-0333**).

Sexual Harassment

Energy East is committed to providing a respectful, work environment free from sexual harassment. Sexual harassment includes, but is not limited to, unwelcome sexual advances, requests for sexual favors, or other things of a sexually offensive nature such as posters, calendars, or other sexually suggestive written, recorded, or electronic messages, offensive comments, jokes, innuendoes, other sexually oriented statements, or all other verbal or physical conduct where:

- Submission to such conduct is made either implicitly or explicitly a term or condition of employment, or
- Submission to or rejection of such conduct is used as the basis for decisions affecting an individual's employment, or
- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment.

Energy East does not tolerate sexual harassment and will take prompt corrective action if violations occur. Complaints of sexual harassment will be kept as confidential as possible and retaliation is strictly prohibited. Employees must report complaints of sexual harassment to either their supervisor, subsidiary human resources representative, subsidiary Compliance Officer, Energy East's Compliance Officer or you can contact the Energy East EthicsLine (**1-800-500-0333**). Supervisors or compliance officers must report any complaint to the human resources representative prior to attempting resolution.

Q: *A former employee of mine has complained to me that her current supervisor has made numerous sexual advances to her. She strongly resents this behavior but is afraid to complain because she fears for her job. As a supervisor, what should I do?*

A: As a supervisor, you must take some action. Preferably you should suggest to her that she put her supervisor on notice that she finds his advances unwelcome and she wants them to stop. If the advances do not stop, or if retaliatory actions are taken, she must immediately contact either a subsidiary human resources representative, subsidiary Compliance Officer, Energy East's Compliance Officer or the Energy East EthicsLine to complain. If she does not wish to confront her supervisor, you, as a supervisor, must consult with a subsidiary human resources representative.

Health and Safety

Energy East is committed to providing a work environment that is free from recognized health and safety hazards and to educate employees, agents, e.g., contractors, consultants, etc., and the public about health and safety hazards associated with our facilities and operations. Furthermore, Company management is committed to the recognition, assessment and control of health and safety hazards related to Company facilities and operations.

Employees may not bring certain items into any Company facility such as illegal drugs and alcohol. Accordingly, employees are prohibited from engaging in the use, sale, purchase, transfer, possession or presence in one's system of any alcohol or illegal drug or controlled substance (except medically prescribed drugs) while engaging in Company business or while on Company property. Energy East will comply with the Department of Transportation and any other applicable regulatory requirements for drug and alcohol testing. If you are taking a prescribed medication that might affect your safety or efficiency, you should inform your supervisor before you begin work.

Q: *How do I know when a working condition is not safe?*

A: Common sense, in conjunction with your specific job training, is often the best guide. If you believe a condition is not safe, don't take a chance. Report the potential problem to your supervisor or subsidiary safety representative immediately.

Q: *The Company's safety requirements slow me down. Do I really have to follow every one of them?*

A: Yes. Each safety requirement is designed to reduce or eliminate a specific risk. All employees have the right to a safe workplace. Don't ever take a shortcut by ignoring a safety requirement.

Workplace Violence

Energy East strictly prohibits acts of physical intimidation, assaults or threats of violence by employees. Employees may not enter any property owned by the Company while in possession of a weapon. In addition, employees may not use or have a weapon on Company property, or store a weapon in any Company vehicle, regardless of its location, or in their personal vehicle while on property owned by the Company. This includes weapons of any kind, whether loaded or unloaded. Employees should report concerns or possible violations to either their supervisor, subsidiary security representative, subsidiary human resources representative, subsidiary Compliance Officer, Energy East's Compliance Officer or you can contact the Energy East EthicsLine (**1-800-500-0333**).

Protecting the Environment

Energy East is an environmentally responsible company. Energy East also accepts responsibility to operate its facilities and provide services in a cost-effective manner which meets or exceeds standards contained in environmental laws and regulations and minimizes their impacts on the environment.

Energy East subsidiaries have established practices to minimize waste and pollution, conserve natural resources, promote energy conservation and conduct and support research and development projects which foster environmental protection. Energy East works with regulatory agencies and others to develop and support equitable laws and regulations to protect the environment.

Q: *I saw someone putting chemical waste in the regular trash. What should I do?*

A: Report it immediately. Improperly discarded chemical wastes may pose unexpected dangers. Environmental laws are complex, but you do not need to understand every detail before you report an environmental concern. If you are unsure, the best thing to do is report it immediately to your supervisor, or to your subsidiary department responsible for environmental compliance.

Antitrust

The general purpose of the antitrust laws is to prohibit business conduct that weakens or destroys competition in the free marketplace. Generally stated, the antitrust laws prohibit agreements that unreasonably restrain trade or commerce. The phrase "unreasonably restrain trade or commerce" requires a careful analysis of the effect on competition of any given practice. Particular care must be taken so that these complex laws are not inadvertently violated. A brief description of some of the practices that are prohibited under the antitrust laws follows:

Refusals to Deal

Refusals to deal involve an agreement (oral or written) between competitors not to buy from a supplier or vendor, or an agreement not to sell products or services to a particular customer. Special care must be exercised when you are engaged in industry trade organization activities. Employees involved in a trade organization meeting could be in conflict with the antitrust laws if they engage in discussions that result in either formal or implicit consensus among a group of companies not to purchase some product or service from a particular vendor or to purchase a product or service only under certain terms and conditions. The key here is that decisions of this kind must be made by companies independently and not by group consensus.

Price Fixing

Without appropriate regulatory approval, any agreement, understanding or arrangement between competitors to raise, lower, fix or stabilize rates is illegal.

Allocation of Customers or Territories

Under the antitrust laws, it is illegal to make agreements with competitors for the purpose of dividing up service territories in which sales are made or allocating customers, unless appropriate regulatory approval is obtained.

Tying Agreements

Certain arrangements by which a customer is required to purchase unwanted products or services in order to obtain a desired product or service is illegal under antitrust laws.

Employees are cautioned to avoid any of these practices that could violate the antitrust laws. If you suspect that such a practice may be developing, you must discuss the matter with your supervisor who should refer the matter to their subsidiary legal department.

Insider Trading

The Securities Exchange Act of 1934 prohibits insider trading. Insider trading generally refers to the buying or selling of a security (of Energy East or any other company) by a person, who is in possession of material, non-public information relating to the security. Insider trading violations also include providing such information to others (“tipping”) and securities trading by the person “tipped.”

Material information is any positive or negative information that a reasonable investor would likely consider important in arriving at a decision to buy or sell securities. In short, any information which is likely to affect the market price of securities. Some examples of information that will frequently be regarded as material are: projection of future earnings or losses; news of a pending or proposed merger, acquisition or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies or the declaration of a stock split; changes in management; impending financial liquidity problems; the gain or loss of a substantial customer; and news of regulatory or court actions.

Three basic rules to follow are: (1) don’t buy or sell securities while in possession of material, non-public information; (2) don’t pass such information on to others who may buy or sell securities and (3) if such information has been publicly disclosed, allow sufficient time for the information to be disseminated and absorbed by the marketplace before acting on it or passing that information on to others. If you have any questions or need additional information, contact either your subsidiary legal department or the Energy East Compliance Officer.

Q: *Am I precluded from buying Energy East stock through my 401(k) plan if I have material, non-public information about Energy East?*

A: If you are buying Energy East stock through your 401(k) plan on a regular basis, you don’t have to change your investment election to stop buying that stock when you receive the information. However, you should not make changes in your 401(k) relating to Energy East stock (that is, you should not change your elections or direct the plan administrator to sell Energy East stock) when you have that kind of information.

Q: *I just overheard a conversation about a major Energy East acquisition. The agreement is about to be signed and the deal has not been announced to the public. I heard someone say that Energy East stock is sure to increase in value after the acquisition is announced. I realize I may not use this insider information for personal profit but can I tell some friends and let them profit?*

A: No. Insider trading violations also include providing such information to others, “tipping” and securities trading by the person “tipped.” Such actions could result in heavy fines and even imprisonment for you and your friends.

Confidential Information

Each of us in carrying out our daily job responsibilities may receive, or have access to, confidential information that is the property of Energy East. You may also have access to information that relates to a customer’s business operations or plans where the customer has a reasonable expectation that the information will not be divulged to competitors or other Energy East customers. Each of us must respect and protect any confidential or proprietary information shared with us by a customer. Confidential information is the sole property of Energy East, and you may not disclose it to anyone except authorized employees, agents, e.g., contractors, consultants, etc. who have a legitimate “need to know” about the information in order to fulfill a valid business purpose of Energy East or as required by regulatory agencies or legal officials. Also, you can only use confidential information for Energy East’s benefit and not for your own advantage or the advantage of others.

Employees, officers and directors should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its

customers, if disclosed. In addition, it refers to any and all information and materials of a confidential or proprietary nature, including trade secrets, business plans and proposals, sales forecasts, sales and marketing strategies, client and customer lists and account information, pricing and pricing strategies, construction plans, employee personnel records, vendor supplier data, new business leads and specific areas of research and development.

These obligations and responsibilities continue in effect while you are an employee and after your employment ends for any reason. In addition, if you receive confidential information or trade secrets from a previous employer, you have an obligation to avoid disclosing it to Energy East or Company employees. By using it or revealing such information, you place Energy East and yourself at legal risk. You do have the right to use general skills and knowledge acquired with previous employers in your job at Energy East.

Q: *How can I determine if a document is considered “proprietary” if it is not marked that way?*

A: First, you should ask the person that generated the information. If they are not available or unknown, you should base your decision on the nature of the information. Does it deal with Company strategies or customer/vendor lists? If so, it could be proprietary and confidential. When uncertain, ask your supervisor or review the document with your subsidiary legal department before you use the document.

Competitive Intelligence

It is a legitimate business practice for Energy East to be interested in information concerning competitors, including competitive prices. Where such information has been acquired in the proper manner, e.g., public sources such as advertisements or published articles, industry gatherings such as conferences and trade shows, and industry surveys by reputable consultants, it is proper to disseminate it within Energy East for use in making business decisions.

However, employees should not obtain competitively sensitive or proprietary information through improper means. Examples include: 1) receiving information from a third party that was illegally or improperly acquired, 2) receiving confidential information of a company from present or former employees who are not authorized to disclose it, 3) seeking out with the aid of misrepresentation, coercion or other improper means the proprietary information of another company and 4) engaging in industrial espionage or theft of proprietary information.

Q: *What is considered “competitively sensitive” or “proprietary” information?*

A: In general, it is any information that is not readily available to the general public, such as trade secrets, business plans or proposals, sales forecasts, sales and marketing strategies, and customer lists and account information. “Competitively sensitive” or “proprietary” information can also include provisions in contracts with vendors.

Intellectual Property

Inventions and creative works that you develop in the course of your job, and in certain cases after you leave the Company, are the sole property of the Company. You are responsible for helping to ensure that Energy East receives the maximum benefit from these innovations and developments. These responsibilities include advising Energy East of any inventions or creative works you develop and assisting Energy East in obtaining legal protection for them. For further guidance, you should discuss your situation with your subsidiary legal department.

Copyright Protection

A copyright is a legal right that protects the copyright holder’s creative work from unauthorized use, reproduction or copying. Examples of copyrighted material are software programs, professional publications, books, treatises and presentation materials. Employees are prohibited from reproducing or copying copyrighted material without the copyright holder’s prior authorization or permission. Possible violations include unauthorized photocopying and e-mail distribution, and copying and distributing copyright-protected files or programs from the Internet or other electronic database services without the owner’s consent.

Computer Software

The Company regularly licenses computer software from a variety of outside companies. The Company does not own this software or its related documentation and does not have the right to reproduce it unless authorized by the owner of the software.

Employees are responsible for using licensed software, including “off-the-shelf” software, strictly in accordance with the terms of the underlying license agreement. Employees are prohibited from copying the software or documentation for personal or home use, or from using the software on more than one PC or local area network, unless expressly authorized by the terms of the underlying license agreement and by your supervisor.

You should review with your supervisor the rights available under the license agreement and how to obtain permission to make multiple copies of software for business use.

Q: *My brother is starting a new business. I developed a computer application at the Company that would really help him get started. Can I let him use the application?*

A: No. The computer application is a Company asset and not your property. Company assets cannot be used for personal business.

Publications

The Company has purchased the right to make copies of certain published materials for internal business purposes through agreements with the Copyright Clearance Center (CCC). For the list of publications covered by these agreements, you should contact your subsidiary department responsible for maintaining this list. Copying from other publications is strictly prohibited, except with the prior permission of the publisher. For further guidance in obtaining copy permission or for advice on the fair use of copyrighted materials, refer to your subsidiary legal department.

Q: *I saw an interesting article on the Internet. Can I make copies to send to our key account customers?*

A: Unless specific copying approval is given within the document, Internet documents are copyright protected and you cannot make copies without the owner’s consent.

Relationship with Federal and State Regulatory Authorities

The state commissions where Energy East subsidiaries reside, FERC, the SEC and other state and federal agencies have established rules and regulations that govern the way we do business. Energy East complies with all such rules and regulations.

It is in the best interest of the Company and its employees that they exercise good judgment and exhibit the highest ethical behavior in any contact with commissioners or employees of governmental authorities so that these individuals are not placed in a conflict of interest situation.

A number of federal, state and local laws govern the relationships of businesses with elected or appointed government officials. Giving gifts to officials, making political contributions and lobbying are all regulated.

Employees are strictly prohibited from offering, promising or giving money, gifts, loans, rewards, favors or anything of value to any governmental official, employee, agent or other intermediary (either in or outside the United States) in order to influence their judgment in conducting government duties.

When employees are involved in a contested case before the state commissions where Energy East subsidiaries reside, FERC or any other regulatory body, they should not engage in any ex parte (private, off the record) conversation or communication concerning any substantive issue in the case, with any commissioner, administrative law judge or senior advisory member of the agency staff. Settlement discussions in contested cases may not be held without prior written notice to all parties to the proceeding. These prohibitions do not apply to routine, uncontested administrative filings. If in doubt, discuss the matter with your supervisor who may wish to seek the advice of their subsidiary legal department.

Relationships with Government Authorities

Agreements between the Company and a government agency may involve special contracting and accounting requirements. Detailed laws and procedures regulate every stage of government contract work, that is, from contract proposal and negotiations to the performance of the contract and charging for the work the Company has completed.

Gifts and invitations offered with an expectation to receive favorable treatment in the award or performance of a contract is a violation of government laws and regulations and can result in heavy fines and imprisonment. Employees are not to accept, provide or offer gifts or invitations, entertainment, meals, transportation or anything of value to government customers or officials, employees or agents of any government or regulatory

agency having jurisdiction over or doing business with the Company when the actions may result in a conflict of interest (or in an appearance of a conflict of interest), such as an attempt to influence a contract award, or a violation of the government employee's own rules. If there is any doubt about whether or not a particular gift or invitation can be accepted, the matter should be discussed with either your supervisor, your subsidiary legal department, your subsidiary Compliance Officer or the Energy East Compliance Officer.

Political Contributions and Activities

Employees are free to engage in political activities of their own choosing including making personal contributions in support of candidates or political organizations of their choice. Employees must keep their personal political activity separate from their employment since there are legal restrictions on corporate involvement in the election process. Accordingly, personal political activity, e.g., campaign work, speech making, fund raising, etc. must not be attributable to the Company. For example, the use of Company stationary for personal political activity is prohibited. Employees also may not use Company funds, time, equipment, supplies or facilities when making personal contributions in support of candidates or political organizations.

Energy East's Board of Directors has established voluntary, non-partisan, non-profit political action committees within the guidelines of federal and state tax and election regulations. The purpose of these committees is to provide our employees with a convenient opportunity to make voluntary contributions to candidates or nominees for election to political office. All employees have the right to contribute to these committees. No employee will be pressured by the Company or any supervisor to contribute personal funds for any political purpose. Energy East will neither favor nor disadvantage an employee based upon whether the employee makes a contribution or the amount of such contribution.

Bribes and Kickbacks

The Foreign Corrupt Practices Act of 1977 prohibits employees and agents, e.g., contractors, consultants, etc., from making payments or offers of payments of anything of value to foreign officials, political parties or candidates for foreign political office in order to secure, retain or direct business, or to influence a person working in an official capacity. Payments made indirectly through an intermediary, under circumstances indicating that such payments would be passed along for prohibited purposes, are also illegal. This law also contains significant internal accounting control and record keeping requirements that apply to our domestic operations. The law's intent, in requiring these records, is to ensure that a corporation maintains reasonable control over its assets and all transactions involving those assets.

Business Practices

Conflicts of Interest

In order to maintain the highest degree of integrity in the conduct of Energy East business and your independent judgment, employees, officers and directors should avoid activities and personal interests that create, or even appear to create, a conflict between your interests and the interests of the Company. In addition, a conflict of interest is any circumstance that could cast doubt on an employee, officer or director's ability to perform his or her Company work objectively and effectively. Neither you nor your immediate family may derive any improper benefit from your position in the Company as an employee, officer or director. Your "immediate family" includes all of your relatives (not more remote than first cousin) and those of your spouse.

Employees, officers and directors have the duty to avoid financial, business or other relationships that might cause a conflict of interest with the performance of their duties. Each of us should conduct ourselves in a manner that avoids even the appearance of conflict between our personal interests and those of Energy East. Potential conflicts can involve customers, suppliers, present or prospective employees, shareholders or members of the communities in which we live and work. Even if you are the most conscientious person, a conflicting interest may influence you and the mere existence of that interest may cause the propriety of your acts to be questioned.

Although it is not possible to list every situation that might or would create a conflict of interest, the following examples provide guidance for avoiding actual or potential conflicts of interest:

- We shall not authorize business with any company in which we, or a member of our immediate family, have a direct or indirect interest. We must notify our supervisor if this situation arises.
- We shall not have direct responsibility for the hiring or supervision of a family member.
- We shall maintain impartial relationships with actual and potential vendors, contractors and consultants. We shall avoid exerting, or appearing to exert, influences on behalf of those with whom Energy East does business because of friendship or any other relationship.
- When serving as a director or member of an outside organization, or serving in public office, we shall abstain from any discussion or voting affecting Energy East and make it clear why we are abstaining.
- We shall not direct a customer to a particular vendor or contractor, or to a business owned or managed by us, or which employs a member of our immediate family. This also includes soliciting business for yourself through such actions as leaving business cards at a customer's home or providing phone numbers of other employees or specific contractors.
- We shall not accept gifts of more than nominal value or receive personal discounts or other benefits, unless offered to all employees, from a competitor, customer or supplier as a result of our position with the Company.
- We shall not receive a loan, or guarantee of an obligation for ourselves or a member of our family, from a competitor, customer or supplier as a result of our position with the Company.

Employees are required to inform their supervisor immediately before taking action if they have a situation involving an actual or potential conflict of interest. Another alternative would be to inform either your subsidiary Compliance Officer or Energy East's Compliance Officer. If a conflict is found to exist, the matter will be discussed with the employee and the following alternatives will be considered: (1) employee will be asked to end the activity which caused the conflict, (2) realignment of job responsibilities or assignment, or (3) if (1) & (2) are not possible, employment will be terminated.

Officers and salaried employees are required annually to complete and sign a conflict of interest questionnaire. The purpose of the questionnaire is to monitor compliance with Energy East's Code of Conduct and to provide an opportunity to resolve actual or potential violations in a reasonable and timely manner. If circumstances change since you last completed the questionnaire, you should notify either your supervisor, your subsidiary Compliance Officer or the Energy East Compliance Officer immediately. If you are a member of a union or a bargaining unit covered by a union contract, you do not have to complete and sign a conflict of interest questionnaire each year. However, it is still your responsibility to follow the letter and the spirit of Energy East's Code of Conduct and Company policies and to behave according to the highest ethical and legal standards.

Situations involving a conflict of interest may not always be obvious or easy to resolve. If there is any doubt as to whether a conflict or a potential conflict of interest exists, or whether there may be an appearance of a conflict of interest, you should discuss with either your supervisor, your subsidiary Compliance Officer, the Energy East Compliance Officer, or you may contact the Energy East EthicsLine (**1-800-500-0333**).

Q: *A customer has offered me an expensive item at cost, thus saving me a lot of money. The offer was made to thank me for helping the customer determine how to arrange to pay a large overdue account balance. Can I buy the item at cost?*

A: No. By accepting such a benefit, it creates a conflict of interest. For further guidance, refer to the Gifts and Invitations section.

Q: *Does stock ownership of a competitor or supplier of the Company by me or a member of my immediate family constitute a conflict of interest?*

A: It depends on the specific circumstances. The general rule is that, if you are in a position to direct or approve business with a vendor, you or a member of your immediate family should not have any ownership interest in that vendor. This is not intended to cover holdings of less than 1% of the securities of corporations listed on a national securities exchange.

Gifts and Gratuities

Employees and members of their immediate families may not directly or indirectly request, take, accept or receive cash, bonuses, fees, commissions, gifts, gratuities, favors, loans, private or personal discounts from suppliers, or similar forms of consideration, of other than nominal value, from any person, corporation, partnership or other entity with which the Company does business or is likely to do business. Similarly, employees, or a member of their families, should never offer any gift, favor or entertainment to a customer, supplier, contractor or anyone who has a business relationship with Energy East, if it will obligate the recipient or violate the policy of the recipient's organization.

As a general rule, employees should avoid accepting a gift or gratuity that could place them in a position of being obligated to a person or company with whom Energy East does business. In addition, you should not accept gifts or gratuities of more than nominal value or receive personal discounts or other benefits, unless offered to all employees, from a vendor, supplier or customer as a results of your position with the Company.

Promotional items of nominal value such as pens, calendars, notepads, coffee mugs, and the like may be accepted or given. While it is difficult to define "nominal" by means of a specific dollar amount, employees should use common sense to determine what might be inappropriate, considering the circumstances. It is the personal responsibility of each employee to ensure that his or her acceptance of a gift is proper and could not reasonably be construed as an attempt by the offering party to secure favorable treatment or obligate the employee in any way. If you are uncertain about whether a gift is nominal in value, you should discuss the matter with either your supervisor, your subsidiary Compliance Officer or the Energy East Compliance Officer before accepting the gift.

If you receive an item that is considered a gift, e.g., the value is not nominal, it must be returned to the giver with an explanation that Company policy does not allow acceptance of the gift. If an employee receives a perishable gift like a fruit basket or a holiday ham, it can be donated to a local charity. However, the giver must be informed that the gift was donated on their behalf to a local charity since Company policy does not allow acceptance of the gift. Under no circumstances may an employee accept cash, cash equivalents such as gift certificates, or tips in any form in connection with their job.

Q: *The Code of Conduct states that I may accept gifts from vendors or suppliers that are promotional in nature. Can you be more specific?*

A: Most promotional items have limited commercial or retail value because they are usually imprinted with a company's logo or other form of corporate advertising. It also must be an item that a supplier widely distributes to others as a promotional item. If you have doubt about accepting a gift, either don't accept it or discuss it with either your supervisor, your subsidiary Compliance Officer or the Energy East Compliance Officer before accepting the gift.

Invitations

As a general rule, you should avoid accepting an invitation that could place you in a position of being obligated to a person or company with whom Energy East does business. Invitations to business related meetings, conventions and conferences, where some or all of the expenses are to be borne by the host or a sponsor, may be accepted if:

- Numerous other guests have also been invited at the expense of the host or sponsor,
- The expense is reasonable, given the nature of the event,
- There is a benefit to the Company to be derived from attendance that relates to your job responsibilities, and
- The invitation is discussed with and approved by your supervisor.

An invitation to a social activity, such as picnics, holiday parties, sporting events or golf outings, which is partially or fully paid for by a party other than the Company may be accepted if:

- The expense and frequency of the activity are reasonable,
- The event either advances the Company's business relationship or accomplishes a legitimate business purpose,
- The invitation is approved by your supervisor before you accept the invitation, and
- Reciprocal offers are occasionally extended.

Occasional invitations to business lunches and dinners may be accepted if they are extended in the ordinary course of business and reciprocated.

If you are uncertain about the propriety of any offer or invitation, ask yourself if there is anything about the situation that would cause you to feel or cause others to believe that you were obligated toward the individual or company providing the gratuity. You should decline if the answer is yes or even maybe. In addition, you can discuss the matter with either your supervisor, your subsidiary Compliance Officer or the Energy East Compliance Officer.

Q: *A supplier has invited me to attend a one-day conference at a resort area that will be attended by many other customers of the supplier. There will be a seminar in the morning. The remainder of the day may be used for recreation. May I attend and, if so, can the expenses be paid by the supplier?*

A: You may occasionally accept such an invitation if it complies with the rules outlined in this section. You should discuss the specific circumstances of the invitation with your supervisor before you accept the invitation.

Q: *I have been invited by one of our customers to speak at a conference sponsored by a trade association. Can I accept the engagement and, if so, may I accept an honorarium?*

A: You may attend the conference provided it complies with the rules outlined in this section. However, you may not accept honoraria in the form of cash, but may accept a tangible gift or any other courtesies if the value is nominal.

Outside Employment or Activity

Employees are expected to avoid participating in any outside activity (including as an officer, director, owner, consultant or employee) that is in conflict with, or appears to conflict with the interest of Energy East or the employee's ability to perform his or her job duties and responsibilities. This includes performing work or services for any person, corporation, supplier, partnership or other entity that does business or is likely to do business with the Company where such work or service places the employee in competition with Energy East, or involves the performance of work common or incidental to Energy East's business. Employees may not use Company assets, such as time, property, funds, information, records, intellectual property or confidential information, computer software, or our Company name, for outside activities. The solicitation or conduct of any outside business, work or activity for personal gain during working hours is also prohibited. Employees may not represent themselves as a Company employee when performing work or service that is not related to their Company position.

Q: *My job involves the development and design of computer software. May I work on my own time as a computer consultant to other companies if they are not competitors of Energy East?*

A: Generally, you are prohibited from engaging in any outside employment that is substantially similar to your job at the Company, whether it is for a competitor of Energy East or not. There may be exceptions to this rule. If you have, or plan to have, an outside job that is similar to your job at the Company, you should discuss and receive approval from your supervisor.

Q: *I have been offered part-time employment by another company, for whom I'll work on weekends. It will not interfere with my job. Is there any problem?*

A: Employees should avoid any outside employment or activity that 1) impairs the employee's ability to perform his or her job duties satisfactorily, 2) places the employee in competition with the Company, or 3) involves the performance of work or services that are offered by the Company.

Personal Financial Interests

Employees, officers and directors must avoid any activity, investment, interest or association which compromises, or which might reasonably be interpreted to compromise impartial and objective business decisions. Employees, officers, directors, and members of their families, shall not knowingly have any material financial interest in:

- Any existing or proposed transaction to which the Company is or is likely to become a party.
- Property that the Company is acquiring or likely to acquire.
- Corporations, partnerships or other entities which compete with the Company except insignificant stock interest in publicly held companies.

A material financial interest is not subject to precise definition for all circumstances. In general, a financial interest that might compromise, or appear to compromise, the independent exercise of an employee, officer or director's judgment in the best interest of the Company, its shareholders, and the public, is material.

Corporate Opportunities

An employee, officer or director may not use Company assets or information learned as a result of his or her position with the Company to take advantage of a business opportunity in which the Company may have an interest such as a business or an investment opportunity.

Protecting Company Assets

Employees, officers and directors should protect the Company's assets and ensure their efficient use. In addition, each of us is responsible for the proper safeguarding and authorized use of any Company asset in carrying out our job duties and assignments. Theft, carelessness and waste have a direct impact on the Company's profitability. Company assets include physical assets such as buildings, vehicles, office equipment, telephones, tools, material, supplies, computers and similar assets, as well as intangible assets such as computer software and databases, proprietary information and intellectual property, such as patents, copyrights and trademarks. It also includes the assets of others for which the Company is responsible, such as equipment, proprietary information and reports, or computer programs that are leased or loaned to the Company.

Computer hardware, software and data stored electronically must be adequately safeguarded against damage, loss, alteration, theft or unauthorized access. Each of us is responsible for the protection and confidentiality of our computer passwords and other personal system and network access information. Generally, employees should not divulge their passwords to anyone.

Electronic and telephone communication systems are provided to employees to enhance their ability to perform their jobs. These systems include but are not limited to e-mail, voice mail, personal pagers, telephones, facsimiles (FAX), world wide web (WWW), Lotus notes mail, bulletin boards and desktop Internet access. Communications made through use of Company equipment and applications are not employees' personal property and are not private. By making use of Company computer and communication assets, employees are consenting to have that use monitored by authorized Company representatives at their discretion. In addition, all messages must be appropriate for a business environment and should comply with Energy East's Code of Conduct and/or subsidiary policies and procedures, as well as with applicable laws and regulations of federal and state authorities having jurisdiction over the transmissions.

Company assets are intended to be used by employees for legitimate business purposes. However, occasional personal use (e.g., local telephone calls, voice mail messages, e-mails, facsimiles, use of computer software such as WordPerfect or Lotus, Internet access) is permissible, as long as such use is authorized by your supervisor and does not violate the standards contained in this document, or other subsidiary policies and procedures.

Q: *Can I use my Company computer at home to type an occasional personal letter or develop a spreadsheet for my child's soccer team?*

A: Company assets may be used occasionally for personal use. However, it is your responsibility to obtain permission from your supervisor before you use Company assets for personal purposes.

Q: *Can I use the Internet for research for a college course that I am taking to complete my degree?*

A: Yes. However, you should obtain permission from your supervisor before using the Internet for personal use.

Sales Practices and Fair Dealing

Energy East will compete in the marketplace based on the merits of its products and services. Employees, officers and directors should endeavor to deal fairly with our customers, suppliers, competitors and fellow employees. None of us should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. Legal and ethical considerations dictate that marketing activities be conducted fairly and honestly. Marketing and selling activities should be predicated upon the superiority of the products and services that Energy East has to offer. In making comparisons to competitors, care must be taken to avoid disparaging a competitor through inaccurate statements. In addition, our credibility with our customers depends on our ability to fulfill our commitments. We must not make promises unless we are reasonably confident that we will be able to keep them. All sales and promotional efforts must be free from intentional misrepresentation. If unforeseen circumstances make it impossible to meet a commitment, we will let our customer know as soon as possible.