

PRECEDENT AGREEMENT

This Precedent Agreement ("Precedent Agreement") is made and entered into effective as of the 28th day of July, 2006, by and between MID-ATLANTIC EXPRESS LLC, a Delaware limited liability company ("Mid-Atlantic Express" or "Transporter"), and AES Mid-Atlantic LNG Marketing, LLC, a Delaware corporation ("Shipper"). Transporter and Shipper may each be referred to as a "Party" and may be referred to collectively as "Parties."

WHEREAS, Mid-Atlantic Express proposes to construct, own, operate and maintain an interstate natural gas transmission pipeline extending from a Receipt Point at the proposed Sparrows Point LNG Terminal in Baltimore County, Maryland ("Sparrows Point").

WHEREAS, Mid-Atlantic Express plans to interconnect its pipeline at a Delivery Point with downstream pipelines owned by Columbia Gas Transmission Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Eastern Transmission Corporation.

WHEREAS, Mid-Atlantic Express plans to file a certificate application with the Federal Energy Regulatory Commission ("FERC") for the authorization necessary to construct the Mid-Atlantic Express Pipeline and to provide firm and interruptible transportation service pursuant to Rate Schedules FTS and ITS as provided in its pro forma FERC Gas Tariff ("Tariff").

WHEREAS, Shipper intends to enter into agreements to purchase natural gas supplies for delivery to Mid-Atlantic Express at its Receipt Point at Sparrows Point and

desires to purchase the firm transportation service proposed by Mid-Atlantic Express under Rate Schedule FTS.

WHEREAS, on June 28, 2006, Mid-Atlantic Express initiated an open season for firm transportation service on the Mid-Atlantic Express Pipeline and Shipper has submitted this Precedent Agreement in connection with that open season.

WHEREAS, Mid-Atlantic Express and Shipper now desire to enter into this binding Precedent Agreement to set forth the terms and conditions under which Shipper will commit to purchase, and Mid-Atlantic Express will commit to provide, firm transportation service, subject to the execution of an agreement for firm transportation service ("Transportation Agreement") under Rate Schedule FTS of Mid-Atlantic Express's Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, Mid-Atlantic Express and Shipper agree as follows:

1. Mid-Atlantic Express agrees, subject to the conditions set forth herein, to construct the Mid-Atlantic Express Pipeline and to render firm transportation service for Shipper at the applicable maximum rate approved or established by FERC, and pursuant to a transportation agreement that will be in the form of, and will incorporate, the standard terms and conditions that are typically included in the tariffs of pipelines regulated by FERC.

2. Mid-Atlantic Express agrees to exercise commercially reasonable efforts to seek the contractual and property rights, financing arrangements, and regulatory approvals, including all authorizations under the Natural Gas Act ("NGA") (authorizations under the NGA herein referred to as "FERC Authorizations") and all

other governmental approvals, as may be necessary to construct, own, operate and maintain the Pipeline for the purpose of providing open-access natural gas transportation service. Mid-Atlantic Express reserves the right to file and prosecute applications for any required authorizations, any supplement or amendment to an application, and any court review as it deems in its best interests. Shipper agrees to cooperate in Mid-Atlantic Express's preparation and filing of all necessary applications for authorizations and provide in a timely manner to Mid-Atlantic Express such information as may be reasonably required for such authorizations.

3. Promptly upon receipt of the FERC Authorizations, Mid-Atlantic Express shall determine, in its sole discretion, whether to accept, reject, or request rehearing of the FERC Authorizations and, ultimately, whether to proceed with the construction of the Pipeline. Within thirty (30) days of Mid-Atlantic Express's receipt of the FERC Authorizations, Mid-Atlantic Express shall notify Shipper of Mid-Atlantic Express's decision to accept, reject, or request rehearing of the Authorizations and whether or not to proceed with the construction of the Pipeline. If Mid-Atlantic Express requests rehearing of the FERC Authorizations, then Mid-Atlantic Express shall have an additional thirty (30) days from receipt of the FERC order on rehearing to notify Shipper of its decision whether or not to proceed with construction of the Pipeline.

4. Subject to the terms and conditions of this Agreement, Mid-Atlantic Express and Shipper agree to execute and deliver the Transportation Agreement, pursuant to which Mid-Atlantic Express shall transport and deliver for Shipper on a firm basis up to 1.5 million dekatherms ("Dth") of natural gas per day. Such Transportation Agreement shall be executed within thirty (30) days of Mid-Atlantic Express's notice to Shipper,

pursuant to Paragraph 3, of its decision to accept the FERC Authorizations. Transportation service from Mid-Atlantic Express's Receipt Point at Sparrows Point to the Mid-Atlantic Express Delivery Points shall commence on the later of the in-service date of Sparrows Point or the in-service date of Mid-Atlantic Express (the "Commencement Date"), and shall continue for a primary term ending twenty-five (25) years from the Commencement Date; provided that Mid-Atlantic Express and Shipper may mutually agree, in writing, to commence service prior to those dates. For the purposes of this Paragraph 4, the in-service date of Mid-Atlantic Express shall be the date that Mid-Atlantic Express is physically able to transport gas on a firm basis up to the level of its design capacity, and the in-service date of Sparrows Point shall be the date that Sparrows Point is physically able to vaporize LNG on a firm basis up to the level of its design capacity (or such other criteria as may be mutually agreed).

5. Mid-Atlantic Express shall have the right to reduce the transportation quantity specified in Paragraph 4 hereof if that reduction is necessary, in Mid-Atlantic Express's sole opinion, to render the Mid-Atlantic Express Pipeline economic. Mid-Atlantic Express shall have the right either to terminate this Precedent Agreement or reduce the transportation quantity specified in Paragraph 4 hereof if, in Mid-Atlantic Express's sole opinion, such termination or reduction is necessary to comply with Mid-Atlantic Express's Tariff or to comply with any FERC regulation, requirement, directive or order.

6. Mid-Atlantic Express plans to propose to FERC cost-of-service recourse rates for FTS service of approximately \$0.0750/Dth (100% load factor). Notwithstanding Mid-Atlantic Express's currently-estimated rate, the transportation service contemplated

herein and in the Transportation Agreement will be subject to the NGA Section 7(c) initial rate ultimately approved or set by FERC during the certificate proceeding. Except as otherwise specified in the Transportation Agreement, Mid-Atlantic Express reserves the right from time to time unilaterally to file and to make effective revisions in its Tariff, including revisions to rates and other terms and conditions, subject to the applicable provisions of the NGA and FERC's regulations thereunder.

7. Notwithstanding anything contained in this Precedent Agreement to the contrary, Mid-Atlantic Express shall be under no obligation to commence or continue at any time the acquisition of pipe and materials, the acquisition of rights-of-way, the construction of the Pipeline or any other activity involving either the commitment or actual expenditure of funds by Mid-Atlantic Express that may be required to construct the Pipeline or to provide the proposed transportation service for Shipper, unless the following conditions precedent are met:

(a) Mid-Atlantic Express's receipt and acceptance of all material regulatory approvals, including FERC Authorizations, in form and substance satisfactory to Mid-Atlantic Express in its sole judgment, as may be necessary to construct, own, operate and maintain the Mid-Atlantic Express pipeline for the purpose of providing natural gas transportation service as contemplated under this Agreement;

(b) execution by Shipper of a Transportation Agreement as required under Paragraph 4;

(c) completion of construction of the Pipeline to render firm transportation service for Shipper pursuant to the Transportation Agreement;

(d) Shipper's compliance with the creditworthiness standards (not otherwise waived by Mid-Atlantic Express) of Section 10 of Mid-Atlantic Express's Tariff at the time the Transportation Agreement is executed by Mid-Atlantic Express and Shipper;

(e) certification that the Shipper has entered into a contract for capacity in the AES Sparrows Point LNG Terminal, for a term equal to the term set forth in Paragraph 4, sufficient to support deliveries of natural gas to the receipt point on any day equivalent to the MDQ bid on Mid-Atlantic Express; and

(f) certification that Shipper can take service and perform pursuant to the operating conditions and other conditions described herein.

Each Party shall provide the other Party with written notice of its satisfaction of, or failure to satisfy, the above conditions, as applicable, within five (5) days of such event, except that Mid-Atlantic Express shall not be required to provide additional notice under subsection (a) of this Paragraph in the event it has informed Shipper of its acceptance of the FERC Authorizations under Paragraph 3.

8. If any condition specified in Paragraph 7 is not satisfied by its respective deadline as set forth in Paragraph 7, and Mid-Atlantic Express does not waive the condition or extend the time for satisfaction, or if the authorizations referenced in Paragraph 7(a) are not satisfactory to Mid-Atlantic Express, in Mid-Atlantic Express's sole discretion, then Mid-Atlantic Express shall have the right to terminate this Precedent Agreement upon thirty (30) days prior written notice to Shipper. This Precedent Agreement shall terminate upon the expiration of the foregoing thirty (30) day period unless within such period: (a) a change to the FERC Authorizations renders them

satisfactory to Mid-Atlantic Express and Mid-Atlantic Express provides written notice to Shipper that those authorizations are now satisfactory; (b) the parties otherwise mutually agree in writing to an amendment of this Precedent Agreement; or (c) Mid-Atlantic Express agrees in writing to extend the thirty (30) day period.

9. Notwithstanding anything herein to the contrary, if Mid-Atlantic Express determines at any time that the Mid-Atlantic Express Pipeline would not be economic, in Mid-Atlantic Express's sole discretion, Mid-Atlantic Express shall have the right to terminate this Precedent Agreement upon thirty (30) days prior written notice to Shipper ("Notice of Termination"). This Precedent Agreement shall terminate upon the expiration of the thirty (30) day period unless within such period: (a) Mid-Atlantic Express, in writing, withdraws such Notice of Termination; or (b) the Parties, in writing, enter into a mutually acceptable amendment to this Precedent Agreement.

10. If this Precedent Agreement is terminated pursuant to Paragraphs 5, 8, or 9, such termination shall be without liability for damages, costs, or expenses of either Mid-Atlantic Express or Shipper to each other or to shareholders, directors, officers, employees, agents or consultants of Mid-Atlantic Express or Shipper, provided however that if this Precedent Agreement is terminated because Shipper fails to satisfy Paragraph 7(b), then Shipper agrees to forfeit the fee paid to participate in Mid-Atlantic Express's open season.

11. Any notice and/or request provided for in this Agreement, or any notice which either Party may desire to give to the other, shall be in writing transmitted by facsimile or e-mail, and mailed by registered or certified mail to the post office address of the Party intended to receive the same, as the case may be, as follows:

Mid-Atlantic Express:

Mr. Edward Cahill
Mid-Atlantic Express LLC
240 Lakeside Ave.
Marlborough, MA 01752
Fax: (508) 229-0251
Email: ed.cahill@aes.com

Shipper:

Mr. Scott Taylor
AES Mid-Atlantic LNG Marketing, LLC
724 Boston Post Road
Suite 210
Madison, CT 06443
Fax: (203) 245-9168
Email: scott.taylor@aes.com

12. Any entity which shall succeed by purchase, merger, consolidation or other transfer to the properties of either Mid-Atlantic Express or Shipper, either substantially or as an entirety, shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Precedent Agreement. Either Party may, without relieving itself of its obligations under this Precedent Agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise no assignment of this Precedent Agreement or of any of the rights or obligations hereunder shall be made, unless there first shall have been obtained the written consent thereto of the other Party to this Precedent Agreement, which consent shall not be unreasonably withheld. It is agreed, however, that the restrictions on assignment contained in this paragraph shall not in any way prevent either Party to this Precedent Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness.

13. No modification of the terms and provisions of this Precedent Agreement shall be made except by the execution by both Parties of a written agreement.

14. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF NEW YORK, EXCEPT THAT ANY CONFLICT OF LAWS RULE OF THE STATE OF NEW YORK WHICH WOULD REQUIRE REFERENCE TO THE LAWS OF SOME OTHER STATE OR JURISDICTION SHALL BE DISREGARDED.

15. Unless terminated sooner pursuant to Paragraphs 5, 8, or 9, this Precedent Agreement shall terminate upon the execution of the Transportation Agreement between Mid-Atlantic Express and Shipper, provided however that Paragraphs 1, 2, and 13 shall remain in force until and expire on the Commencement Date. In addition, any credit support provided by Shipper in accordance with the requirements of Paragraph 7(d) shall also survive such termination. Upon termination of this Precedent Agreement pursuant to Paragraphs 5, 8, or 9, neither Party shall have any further rights or obligations under this Precedent Agreement.

16. This Precedent Agreement sets forth all understandings and agreements between the Parties respecting the subject matter hereof, and all prior agreements, understandings and representations, whether written or oral, respecting the subject matter hereof are merged into and superseded by this Precedent Agreement.

17. No waiver by a Party of any default(s) by the other Party in the performance of any provision, condition or requirement of this Precedent Agreement shall operate or be construed as a waiver of any future default(s), whether of a like or of a different character, nor in any manner release the defaulting party from performance of any other provision, condition or requirement herein.

18. If any provision of this Precedent Agreement is declared null and void or voidable by a court of competent jurisdiction, such declaration shall in no way affect the validity or effectiveness of the other provisions of this Precedent Agreement, which shall remain in full force and effect, and the parties shall thereafter use their commercially reasonable efforts to agree upon an equitable adjustment of the provisions of this Precedent Agreement with a view to effecting its purpose.

19. No presumption shall operate in favor of or against any party as a result of any responsibility or role that any Party may have had in the drafting of this Precedent Agreement.

20. This Precedent Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement.

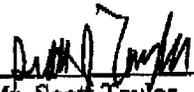
21. Except as otherwise provided in this Precedent Agreement, nothing expressed or implied in this Precedent Agreement shall confer on any person other than Mid-Atlantic Express or Shipper any rights or remedies under or by reason of this Precedent Agreement.

IN WITNESS WHEREOF, the Parties have caused this Precedent Agreement to be executed by their duly authorized representatives as of the date first written above.

MID-ATLANTIC EXPRESS LLC

By: 
Name: Vice President
Title: Edward Cadi

AES MID-ATLANTIC LNG
MARKETING, LLC

By: 
Name: Mr. Scott Taylor
Title: Director and Vice President