

Officer's Certificate of Fairness
Tractebel Finance US, Inc.


As the Treasurer of Tractebel Finance US, Inc. (the "Company"), I hereby certify that, to the best of my knowledge, the audited 2009 financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles of the United States of America and give a true and fair view of its assets, liabilities, and financial position.

Further, I attest that the notes to the financial statements present a fair and balanced review of the development and performance of its business, and describes any principal risks to the Company and the actions taken to reduce those risks.

Attested to this day, 20 April, 2010:

Tractebel Finance US, Inc.

By:



Geert Peeters
Vice President and Treasurer

TRACTEBEL FINANCE US, INC.

MANAGEMENT REPORT

31 DECEMBER 2009

Tractebel Finance US, Inc. (the "Company") is a wholly owned subsidiary of GDF SUEZ Energy North America, Inc. (GSENA), which is a wholly owned subsidiary of GDF SUEZ-Tractebel S.A. (the "Parent"), whose ultimate parent is GDF SUEZ S.A.

The Company was incorporated in 1998 in the state of Delaware with 1,000 shares of stock at \$1 par value.

The Company was formed for the purpose of providing a source of long and short term financing for GSENA and its subsidiaries having industrial operations in the United States and Canada.

In order to fulfill its purpose, the Company borrows funds from an affiliate of the Parent, GDF SUEZ CC, as well as from third-party sources such as banks and institutional investors through bonds. The Company then makes available the proceeds of its borrowing activities to GSENA and its subsidiaries.

Financing of GSENA and its subsidiaries takes the form of interest bearing loan facilities from the Company in favor of GSENA and its subsidiaries. Terms may be long or short terms.

The Company acts as the Borrower under stand-by letters of credit facilities with various commercial banks, and makes available to GSENA and its subsidiaries the issuance of letters of credit under its facilities.

Finally, the Company also acts as a "cash pooler" for GSENA and its subsidiaries. Cash balances (negative and positive) from GSENA and its subsidiaries are pooled daily within the Company, and the aggregate position is borrowed or deposited with GDF SUEZ CC through a cash pooling agreement and working capital loan facility (the "revolving working capital funding line".)

GSENA provides its guarantees in favor of GDF SUEZ CC with regard to the loan performance of the Company on loans from GDF SUEZ CC.

Loan performance on third-party debt instruments is guaranteed by the Parent or GDF SUEZ S.A., in favor of the Lenders. These include a total of €150 million Eurobond issuances in 2003 through ING (formerly BBL) as well as multiple credit lines with commercial banks for the sole purpose of issuing letters of credit for GSENA and its subsidiaries.

DISCUSSION (a comparison of December 31, 2009 vs. December 31, 2008):

ASSETS

Total assets decreased \$199 million. This result was due to the following occurrences. Total current assets for the Company increased \$95 million during this period which resulted from increases in notes receivables from GSENA subsidiaries and derivatives' valuation, \$56 million and \$50 million, respectively. The increase in notes receivables was due in part to the reclassification of affiliated long-term notes receivable with maturities in 2009, and in part to the increase in borrowing by GSENA subsidiaries under a cash pooling agreement. The increase in the derivatives' valuation was due to

volatility in exchange rates. Also, there was a decrease of \$12 million in interest and fees receivable resulting from the repayment of affiliated loans. Noncurrent assets were reduced by \$294 million as a result of the above mentioned reclassification of the notes receivable as well as the adjusted valuation of the derivatives, \$238million and \$56 million, respectively.

DEBT

Total liabilities decreased by \$199 million. This was a result of the following occurrences. Total current liabilities increased by \$94 million. This increase was attributable to the reclassification of long-term notes payable to third-parties, an increase of \$144 million; a decrease in notes payable to affiliate, of \$88 million; the revaluation of derivatives, an increase of \$49 million; and a decrease of \$14 million in interest and fees due to the affiliates. Additionally, there was an increase of \$3 million for provision of tax contingency. Noncurrent debt was reduced during the period by \$293 million. This was due in part to a decrease in noncurrent debt in the amount of \$137 million resulting from the reclassification of noncurrent third-party debt and its revaluation which will mature in 2010; a decrease in notes payable to affiliates of \$101 million resulting from additional borrowings offset by reclassification of noncurrent debt and the repayment of affiliated debt. Additionally, noncurrent affiliates derivative liabilities decreased by \$54 million resulting from exchange rate volatility and the reclassification of long term debt to short term.

Company loans maturing during 2009 totaled \$253 million. An additional \$47 million in GDF SUEZ CC loans was repaid in 2009. Company loans and bonds with maturities in 2010 total \$248 million (\$100 million in third-party bonds, and \$148 million in GDF SUEZ CC loans). Company loans and bonds with maturities beyond 2010 total \$1.24 billion (\$54 million in third-party bonds and \$1.19 billion in GDF SUEZ CC loans.) The Company extended its revolving working capital funding line to 31 December 2012.

EQUITY

The variance of \$91 thousand in stockholders' equity was the result of a rate change applied to the previous deferred tax balance.

PROFIT & LOSS STATEMENT

The variance of \$91 thousand was a result of a rate change applied to the previous deferred tax balance. There was a \$2 million decrease in revenues from 2008 to 2009. This was the result of a reduction of debt and related interest and fees, as well as the revaluation of foreign currency transactions. Revenues generated via interest and fees received from GSENA subsidiaries totaled \$115 million which equaled interest and fees payable owed to affiliates and third parties. This corresponds with the purpose of the Company which is to borrow from affiliates and third-parties for the benefit of GSENA subsidiaries. Interest and fees received and paid by the Company included interest on affiliated and third-party debt, including letters of credit, and guarantee fees to both the Parent and GDF SUEZ S.A.

Further details of the Company's financial statements are found in the notes to its audited financial statements.

SIGNIFICANT EVENTS SINCE END OF FINANCIAL PERIOD

During the first quarter of 2010, the Company repaid \$100 million of its third-party bonds and \$69 million in GDF SUEZ CC loans.

COMPANY'S LIKELY FUTURE DEVELOPMENT

The Company will continue to pursue its purpose to finance GSENA and its subsidiaries under the same operations mode, where interest and fees received offset interest and fees paid. In doing so, it will continue to service its debt and/or refinance maturing loans and bonds where and when necessary. The Company's activities and balance sheet will generally evolve with the activities and investment rate of GSENA and its subsidiaries.

TRACTEBEL FINANCE US, INC.

By:



Geert Peeters
Vice President and Treasurer
Dated: April 20 2010

Tractebel Finance US, Inc.

Financial Statements as of and for the
Years Ended December 31, 2009 and 2008, and
Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

the Board of Directors of
Tractebel Finance US, Inc.:

We have audited the accompanying balance sheets of Tractebel Finance US, Inc. (the "Company") as of December 31, 2009 and 2008, and the related statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 10, 2010

TRACTEBEL FINANCE US, INC.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008 (In thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash	\$ 36	\$ 1,033
Due from affiliates	13,437	25,285
Notes receivable from affiliates	328,945	272,691
Deferred tax assets	1,145	-
Derivative assets:		
Third party	45,999	340
Affiliates	<u>16,501</u>	<u>11,909</u>
Total current assets	406,063	311,258
NOTES RECEIVABLE FROM AFFILIATES	1,297,655	1,535,405
DERIVATIVE ASSETS:		
Third party	19,851	56,283
Affiliates	<u>15,472</u>	<u>34,792</u>
TOTAL	<u>\$ 1,739,041</u>	<u>\$ 1,937,738</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,997	\$ 7,011
Due to affiliates	4,700	19,058
Notes payable to affiliates	184,886	272,691
Current portion of long-term debt	144,060	-
Provision for tax contingency	3,201	-
Derivative liabilities — affiliates	<u>61,065</u>	<u>12,249</u>
Total current liabilities	404,909	311,009
LONG-TERM DEBT	72,030	208,755
NOTES PAYABLE TO AFFILIATES	1,225,625	1,326,650
DEFERRED TAXES	1,288	1,726
DERIVATIVE LIABILITIES — Affiliates	<u>31,826</u>	<u>86,144</u>
Total liabilities	<u>1,735,678</u>	<u>1,934,284</u>
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDER'S EQUITY:		
Common stock, \$1 par value — authorized, issued, and outstanding, 1000 shares	1	1
Retained earnings	<u>3,362</u>	<u>3,453</u>
Total stockholder's equity	<u>3,363</u>	<u>3,454</u>
TOTAL	<u>\$ 1,739,041</u>	<u>\$ 1,937,738</u>

See notes to financial statements.

TRACTEBEL FINANCE US, INC.

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In thousands)

	2009	2008
REVENUES — Interest and guarantee income — related party	\$ 115,092	\$ 117,037
COSTS AND EXPENSES — Interest and guarantee expense	<u>(115,092)</u>	<u>(117,037)</u>
NET INCOME BEFORE TAX PROVISION	-	-
INCOME TAX EXPENSE	<u>91</u>	<u>-</u>
NET LOSS	<u>\$ (91)</u>	<u>\$ -</u>

See notes to financial statements.

TRACTEBEL FINANCE US, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In thousands)

	Common Stock	Retained Earnings	Total
BALANCE — January 1, 2008	\$ 1	\$ 3,453	\$ 3,454
Net income	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE — December 31, 2008	1	3,453	3,454
Net income	<u>-</u>	<u>(91)</u>	<u>(91)</u>
BALANCE — December 31, 2009	<u>\$ 1</u>	<u>\$ 3,362</u>	<u>\$ 3,363</u>

See notes to financial statements.

TRACTEBEL FINANCE US, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ (91)	\$ -
Adjustments to reconcile net income to net cash (used in) provided by operating activities — changes in assets and liabilities that provided (used) cash:		
Deferred tax expense	1,618	-
Due from affiliates	11,848	(8,165)
Due to affiliates	(14,358)	9,135
Accounts payable and accrued expenses	<u>(14)</u>	<u>11</u>
Net cash (used in) provided by operating activities	<u>(997)</u>	<u>981</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds of note receivable from affiliates	(111,094)	(145,505)
Repayments of note receivable from affiliates	<u>299,925</u>	<u>498,754</u>
Net cash provided by investing activities	<u>188,831</u>	<u>353,249</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of debt from affiliates	111,094	145,505
Repayments of debt from affiliates	<u>(299,925)</u>	<u>(498,754)</u>
Net cash used in financing activities	<u>(188,831)</u>	<u>(353,249)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(997)	981
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,033</u>	<u>52</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 36</u>	<u>\$ 1,033</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Interest paid	<u>\$ 86,751</u>	<u>\$ 101,649</u>

See notes to financial statements.

TRACTEBEL FINANCE US, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. HISTORY AND BUSINESS

Tractebel Finance US, Inc. (the “Company”) is a wholly owned subsidiary of GDF SUEZ Energy North America, Inc. (GSENA), which is a wholly owned subsidiary of Suez-Tractebel S.A. (the “Parent”), whose ultimate parent is GDF SUEZ S.A. The Company was incorporated in 1998 in the state of Delaware with 1,000 shares of stock at \$1 par value and was formed for the purpose of providing financing for GSENA and its subsidiaries. The Company borrows funds from an affiliate of the Parent, as well as from third-party sources. The Company then lends funds to GSENA subsidiaries and at times lends to an affiliate of the Parent through a cash pooling arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents — The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial Instruments — The Company’s financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable to affiliates, and debt instruments. The book values of cash and cash equivalents, accounts receivable, and accounts payable are representative of their respective fair values due to the short-term nature of these instruments. The fair value of the Company’s long-term debt and notes payable to affiliates is discussed in Note 3. The fair value of the Company’s notes receivables is discussed in Note 7.

Fair Value of Financial Instruments — Accounting Standard Codification (ASC) Topic 820-10, *Fair Value Measurements and Disclosures* (formerly Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table in Note 4, the hierarchy consists of three broad levels. Level 1 inputs in the hierarchy consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs are inputs other-than-quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liabilities. Level 2 inputs include quoted prices for identical or similar assets or liabilities in inactive markets, inputs other-than-quoted prices that are observable for the asset and liability, and inputs that are derived from observable market data by correlation or other means. Level 3 inputs are unobservable and they reflect the Company’s own assumptions regarding how market participants would price the asset or liability based on the best available information. Therefore, Level 3 inputs have the lowest priority. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities.

Foreign Currency Transactions — The Company has certain transactions in foreign currencies and the effects of remeasuring these transactions into U.S. dollars are reflected in the statements of income in the period of the transaction. Third-party foreign currency transaction gains (losses) amounted to (\$7.3) million and \$12.1 million for the years ended December 31, 2009 and 2008, respectively, and

were fully offset by foreign currency transaction gains (losses) from affiliated parties. These foreign currency transaction gains and losses that affected the recognized assets and liabilities are noncash transactions and, therefore, have not been reflected in the statements of cash flows.

Income Taxes — The Company accounts for income taxes in accordance ASC Topic 740-10 (formerly FASB Statement No. 109 and FASB Interpretation No. 48), *Income Taxes*, which requires the use of the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured by using enacted tax rates that are applicable to the future years in which deferred tax assets or liabilities are expected to be realized or settled.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Derivative Instruments and Risk Management Activities — In the normal course of business, the Company employs financial instruments to manage its exposure to fluctuations in interest rates. The Company accounts for derivative instruments in accordance with ASC Topic 815-10, *Derivatives and Hedging* (FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*), which requires the Company to record all derivatives on the balance sheet at fair value. Changes in the fair value of nonhedge derivatives will be immediately recognized in earnings.

The Company executes derivative transactions in order to manage operating risks and not for trading purposes. The Company's risk management activities include the following:

Interest Rate Risk — The Company used interest rate swap agreements to effectively convert a portion of its floating-rate debt and receivables to a fixed-rate basis, thus reducing the impact of interest rate changes on future income. These agreements involve the receipt of floating-rate amounts in exchange for fixed-rate interest payments or the receipt of fixed-rate amounts in exchange for variable-rate interest payments within a set range over the life of the agreements without an exchange of the underlying principal amount. Additionally, the Company entered into offsetting interest rate swap agreements with its affiliates, which serve to pass through the effects of these agreements to the affiliates to which the Company provides loans (see Note 3).

Foreign Currency Risk — The Company limits its exposure to foreign currency fluctuations by entering into foreign currency swap agreements that effectively fix the exchange rates of liabilities required to be settled in currencies other than the U.S. dollar. Additionally, the Company entered into offsetting foreign currency swap agreements with its affiliates, which serve to pass through the effects of these agreements to the affiliates to which the Company provides loans. These agreements are accounted for under ASC 815-10 as derivatives (see Note 3).

Recent Accounting Standards — In May 2009, the FASB issued FASB ASC Topic 855-10-25 (formerly FASB Statement No. 165, *Subsequent Events*). The standard does not require significant changes regarding recognition or disclosure of subsequent events, but does require disclosure of the date through which subsequent events have been evaluated for disclosure and recognition. The standard is effective for financial statements issued after June 15, 2009. The implementation of this standard did not have a significant impact on the financial statements of the Company. Subsequent events through the issuance date have been evaluated for disclosure and recognition.

In June 2009, the FASB issued ASC Topic 105 (formerly FASB Statement No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. ASC Topic 105 has become the source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) recognized by the FASB to be applied by nongovernment entities. It also modifies the U.S. GAAP hierarchy to include only two levels of U.S. GAAP; authoritative and nonauthoritative. The Company adopted ASC 105 effective July 1, 2009. Pursuant to the provisions of ASC 105, the Company has updated references to U.S. GAAP in its financial statements issued for the period ended December 31, 2009. The adoption of ASC Topic 105 did not have an impact on the Company's financial position, results of operations, or cash flows.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, an update to ASC Topic 820. This update provides amendments to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities. Among other provisions, this update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the valuation techniques described in ASU No. 2009-05. ASU No. 2009-05 is effective for the Company's annual financial statements for the year ended December 31, 2009. The adoption of ASU No. 2009-05 did not have a material impact on the Company's financial position, results of operations, or cash flows.

In January 2010, the FASB issued ASU No. 2010-06, which amends ASC Topic 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers' disclosures about postretirement benefit plan assets under ASC Topic 715, *Compensation — Retirement Benefits*, to require that disclosures be provided by classes of assets instead of by major categories of assets. The ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2010-06 to have a material impact on the Company's financial position, results of operations, or cash flows.

3. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt as of December 31, 2009 and 2008, consist of the following (in thousands):

	2009	2008
Notes payable to affiliates:		
Affiliated-party revolving line of credit; variable interest rates (between 1.75% and 4.10% at December 31, 2009, and between 2.06% and 5.83% at December 31, 2008); principal due 2009–2024	\$ 1,148,710	\$ 1,104,900
Affiliated-party revolving line of credit for daily pooling of cash; variable interest rate (0.10% and 0.03% at December 31, 2009 and 2008, respectively); monthly interest payable, matures annually	36,801	19,441
Term loan with affiliate; fixed interest (6.45% at December 31, 2009 and 2008); interest payable monthly and principal due 2015	225,000	225,000
Term loan with affiliate; fixed interest (5.38% at December 31, 2008)	<u>-</u>	<u>250,000</u>
Total	1,410,511	1,599,341
Less current portion of notes payable to affiliates	<u>184,886</u>	<u>272,691</u>
Long-term notes payable to affiliates	<u>\$ 1,225,625</u>	<u>\$ 1,326,650</u>
Long-term debt:		
Eurobonds; fixed interest rate of 5%; annual interest payments; principal due in 2010	\$ 144,060	\$ 139,170
Eurobonds; fixed interest rate of 4.5%; annual interest payments; principal due in 2011	<u>72,030</u>	<u>69,585</u>
Total	216,090	208,755
Less current portion of long-term debt	<u>144,060</u>	<u>-</u>
Total long-term debt	<u>\$ 72,030</u>	<u>\$ 208,755</u>

The following is a further description of the Company's loan agreements included in the table above along with a description of any related derivative or hedging transactions. Unless indicated otherwise, these agreements are guaranteed by the Parent.

The Company has a line of credit with an affiliate of GDF SUEZ S.A. of up to \$1.70 billion and \$2.01 billion at December 31, 2009 and 2008, respectively. The outstanding loans bear interest at London InterBank Offered Rate, plus 1.50% to 3.85%. The Company had advances, net of receivables under this line of credit, of \$1.33 billion outstanding at December 31, 2009, and \$1.56 billion outstanding at December 31, 2008, resulting in \$0.37 billion and \$0.45 billion available as of December 31, 2009 and 2008, respectively.

In January 2003, the Company issued Eurobonds in the amount of 100 million euros with a fixed interest rate of 5%. Interest is payable annually in euros and the bonds are payable in 2010. In February 2003, the Company sold Eurobonds in the amount of 50 million euros with a fixed interest rate of 4.5%. Interest is payable annually in euros and the bonds are payable in 2011. The bonds are payable in euros and thus are revalued in U.S. dollars as of December 31, 2009 and 2008. The change in value of the

bonds of (\$7.3) million and \$12.1 million in 2009 and 2008, respectively, is reflected in the statements of income and is offset by the change in value on the swap entered into to hedge the bonds. See below for a discussion of interest and currency swap agreements related to these bonds.

In connection with the issuance of the Eurobonds, the Company entered into agreements to fix the interest and principal payment amounts in U.S. dollars. These swap agreements were not designated as hedges for accounting purposes as their effects are offset through intercompany agreements.

In addition to the Eurobond hedge agreements discussed above, the Company had interest rate swap agreements in place for notional principal amounts aggregating to \$661 million at December 31, 2009. All of the agreements effectively changed the variable interest rate of the debt covered by the notional amounts to fixed rates ranging 3.5% to 3.9% at December 31, 2009. The agreements expire at various dates from June 2011 through June 2013.

The Company entered into offsetting swap agreements with affiliates (subsidiaries of GSENA) to pass through the effects of the swap agreements discussed above (see Note 7).

The Company was exposed to interest rate fluctuations on approximately \$0.5 billion and \$0.4 billion of variable rate debt at December 31, 2009 and 2008, respectively. In the event of default by the counterparties on the interest rate and currency swap agreements discussed above, the Company would be exposed to fluctuations in the interest rates and/or currencies. However, the Company does not anticipate nonperformance by the counterparties.

The fair value of the Company's fixed-rate debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities and security structure. The fair value of the Company's fixed-rate debt was approximately \$468 million and \$682.4 million at December 31, 2009 and 2008, respectively. The fair value of the Company's variable rate debt is estimated based on the current margin rates offered to the Company for debt of the same security structure. The fair value of the Company's variable-rate debt was approximately \$1.2 billion and \$982.5 million at December 31, 2009 and 2008, respectively.

At December 31, 2009 and 2008, the Company had \$690 million and \$615 million, respectively, of letters of credit available related to operational obligations for GSENA subsidiaries and affiliates of which \$468 million was drawn at December 31, 2009.

4. DERIVATIVE INSTRUMENTS

Interest Rate Instruments — The Company had entered into interest rate swaps that qualify as derivatives under ASC Topic 815-10 (FASB Statement No. 133). The fair values of these derivatives were \$32 million and \$46.7 million at December 31, 2009 and 2008, and were included in derivative asset and liabilities in the balance sheet.

Foreign Currency Exchange Rates — The Company had entered into certain foreign currency instruments that qualify as derivatives under ASC Topic 815-10 (FASB Statement No. 133). The fair values of these derivatives were \$65.9 million and \$56.6 million at December 31, 2009 and 2008, respectively. The Company has entered into foreign currency instruments with related parties that offset these instruments that are recorded as derivative liabilities; however, the value of these related-party derivative liabilities is \$60.9 million and \$51.7 million at December 31, 2009 and 2008, due to the timing of entering these offsetting agreements.

As a result of the offsetting swap agreements the Company has entered into, the transactions had no impact on net income during 2009 and 2008.

The summary of derivative assets and liabilities by risk and counterparty type as of December 31, 2009 and 2008, is as follows (in thousands):

	2009			2008
	Non-current	Current	Total	Total
Interest rate derivative assets:				
Third party	\$ -	\$ -	\$ -	\$ -
Affiliate	15,472	16,501	31,973	46,701
Foreign exchange derivative assets:				
Third party	19,851	45,999	65,850	56,623
Affiliate	-	-	-	-
Total derivative assets	<u>\$ 35,323</u>	<u>\$ 62,500</u>	<u>\$ 97,823</u>	<u>\$ 103,324</u>

	2009			2008
	Non-current	Current	Total	Total
Interest rate derivative liabilities:				
Third party	\$ -	\$ -	\$ -	\$ -
Affiliate	(15,472)	(16,501)	(31,973)	(46,701)
Foreign exchange derivative liabilities:				
Third party	-	-	-	-
Affiliate	(16,354)	(44,564)	(60,918)	(51,692)
Total derivative liabilities	<u>\$ (31,826)</u>	<u>\$ (61,065)</u>	<u>\$ (92,891)</u>	<u>\$ (98,393)</u>

ASC Topic 820-10 (FASB Statement No. 157) requires an adjustment for nonperformance in calculating the fair value of financial instruments. The Company calculates the adjustment for financial instruments in asset positions based on the credit rating of the counterparty. The credit adjustment for financial instruments in liability positions is determined based on the Company's credit rating. The table provides fair value measurement information for the Company's derivative financial instruments as of December 31, 2009, as follows:

Financial Instruments	Total Fair Value	Quoted in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term asset	\$ 62,500	\$ -	\$ 62,500	\$ -
Long-term asset	35,323	-	35,323	-
Short-term liability	(61,065)	-	(61,065)	-
Long-term liability	<u>(31,826)</u>	<u>-</u>	<u>(31,826)</u>	<u>-</u>
Total	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ 4,932</u>	<u>\$ -</u>

5. INCOME TAXES

Provision for income taxes at December 31, 2009 and 2008, consisted of the following (in thousands):

Tax Provision	2009	2008
Current	\$(1,527)	\$ -
Deferred	<u>1,618</u>	<u>-</u>
Total provision for income taxes	<u>\$ 91</u>	<u>\$ -</u>

The net income tax expense in 2009 is a result in a state rate change applied to the previous deferred tax balance. Deferred tax liabilities at December 31, 2008 and 2009, consisted of the following:

	2009	2008
Deferred tax assets — accruals	\$ 1,674	\$ -
Deferred tax liabilities — derivative instruments	<u>(1,817)</u>	<u>(1,726)</u>
Total deferred tax liabilities	<u>\$ (143)</u>	<u>\$ (1,726)</u>
Current deferred tax asset, net	\$ 1,145	\$ -
Long-term deferred tax liability	<u>(1,288)</u>	<u>(1,726)</u>
Total deferred tax liabilities	<u>\$ (143)</u>	<u>\$ (1,726)</u>

The Company adopted the provisions of ASC 740, related to tax contingencies, on January 1, 2007. The Company recognized approximately a \$3.2 million increase in the liability for unrecognized tax contingencies. The following table shows the reconciliation of the beginning and ending amount of unrecognized tax contingencies.

Balance — January 1, 2009	\$ -
Additions based on tax positions related to the current year	-
Additions for tax positions of prior years	3,201
Reductions for tax positions of prior years	-
Settlements	<u>-</u>
Balance — December 31, 2009	<u>\$3,201</u>

The Company files a consolidated federal income tax return with GSENA. The Company did not recognize interest and penalties related to unrecognized tax benefits. Instead, GSENA recognized interest related to unrecognized tax benefits.

6. COMMITMENTS AND CONTINGENCIES

The Company is obligated to compensate the Parent for guaranteeing certain obligations. Such guarantee fees vary 0.25% and 1.50% of the respective obligations. The Company is obligated to compensate various banks for commitment fees on unused lines and commissions fees on outstanding lines of credit. Such fees range from 0.05% to 0.14% of the unused lines of credit and range from 0.20% to 0.60% of outstanding lines of credit. The Company is also obligated to pay various banks utilization fees in the range of 0.03% to 0.07% for each day the aggregate amounts outstanding exceeds greater than 50% of the line of credit.

7. RELATED-PARTY TRANSACTIONS

The Company has notes receivable from various affiliates (all subsidiaries of GSENA) in the amount of \$1.6 billion and \$1.8 billion at December 31, 2009 and 2008, respectively. The notes receivable from the GSENA subsidiaries mirror the terms of the master credit agreement between the Company and GDF SUEZ CC (formerly Cosutrel). The fair value of these notes was \$1.7 billion at December 31, 2009 and 2008. The Company recognized interest income of \$66.1 million and \$100.2 million in 2009 and 2008, respectively from the affiliates under the same terms as under the outstanding debt (see Note 3).

The Company receives certain financial and operational guarantees and commitments from the Parent and GDF SUEZ S.A. Expenses incurred during 2009 and 2008 related to the guarantees and commitments were \$18.2 million and \$14.0 million, respectively. These fees are offset by amounts received from GSENA affiliates. The Company also recognized income of \$1.3 million and \$0.8 million related to letter of credit and other fees charged to GSENA affiliates in 2009 and 2008, respectively.

The Company has amounts due from affiliates of \$13.4 million and \$25.3 million at December 31, 2009 and 2008, respectively. These balances are primarily related to interest and fees receivable related to the notes receivable from affiliates. The Company has amounts due to affiliates of \$4.7 million and \$19.1 million at December 31, 2009 and 2008, respectively. These balances are primarily related to interest and fees payable related to the notes payable to affiliates.

The Company had interest rate swap agreements in place with Suez Finance S.A., a subsidiary of GDF SUEZ, for notional principal amounts aggregating \$661 million at December 31, 2009 and 2008. All of the agreements effectively change the variable interest rates on the portion of the payable covered by the notional amounts to fixed rates ranging from 3.54% to 3.92% at December 31, 2009 and 2008. The agreements expire at various dates from June 2011 through June 2013. The Company entered into offsetting interest rate swap agreements with subsidiaries of GSENA that offset the agreement described above. The Company recognized income of \$19.5 million and \$2.0 million from the GSENA subsidiaries during 2009 and 2008, respectively, which offsets the expense recognized with Suez Finance S.A.

The Company has foreign currency swap agreements in place with affiliates (primarily subsidiaries of GSENA) for the 100 million and 50 million Eurobonds discussed in Note 3. The Company recognized \$7.3 million and \$12.1 million of income from affiliates related to these currency transactions during 2009 and 2008, respectively, which offsets the third-party loss discussed in Note 2. The Company also recognized \$2.7 million and \$2.2 million loss on the settlement of the interest portion of these foreign currency swaps with affiliates during 2009 and 2008, respectively, which offsets the income recognized on third-party foreign currency swap settlements.

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