



Texas Eastern Transmission Corporation
Algonquin Gas Transmission Company
Duke Energy Companies

Memorandum

July 2, 1999

To: GISB Executive Committee Members

From: Algonquin Gas Transmission Company
Texas Eastern Transmission Corporation

Subject: Request R97117/R97118, Proposed Standard 2

Texas Eastern Transmission Corporation ("Texas Eastern") and Algonquin Gas Transmission Company ("Algonquin") oppose the captioned proposed standard that would require Transportation Service Providers to provide customers the ability to trade imbalances until at least the close of the 19th business day of the month. As detailed below, the proposed standard is a backward step from the current method of resolving imbalances and increases the likelihood of operational problems.

Under Texas Eastern's existing FERC gas tariff, customers have since implementation of Order No. 636 been provided ways in which to resolve imbalances throughout the month. In addition, Texas Eastern has imbalance resolution procedures whereby with the monthly transportation invoice, Texas Eastern renders each cashout party a statement detailing the unresolved imbalance quantity and a bill for the amount due pipeline or credit of the amount due the cashout party. As described in Texas Eastern's Order No. 636 compliance filing, the purpose of the monthly cashout procedure was to deter, in light of unbundling, end of the month imbalances and encourage the daily use of various balancing mechanisms provided in Texas Eastern's tariff, including Rate Schedule TABS-1, Rate Schedule MBA, predetermined allocation, and operational balancing agreements. The specifics of the cashout mechanism have been revised since Order No. 636 in order to mitigate gaming of the system by shippers. On Algonquin's system, imbalances are invoiced on the 7th day of the month, with resolution on the 19th day of the month. Similar to Texas Eastern, the point of the monthly cashout was to keep the system in balance on a real time basis and avoid firm customer service interruptions.

Under the proposed standard, shippers would have until the 19th business day of the month after the applicable month of gas flow to trade and thereafter the cashout would be invoiced and paid, adding three weeks to a month to the resolution of imbalances.

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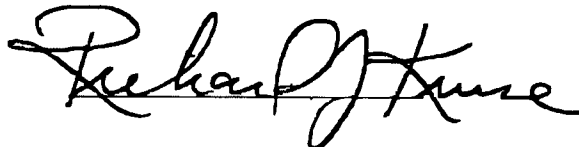
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For Texas Eastern and Algonquin, timely resolution of imbalances on a monthly basis is very important because they have no system storage. An extended imbalance resolution period to permit the trading of imbalances would require Texas Eastern and Algonquin to carry imbalances for an additional month. This could pose operational problems for the system and could affect Texas Eastern's and Algonquin's ability to render firm service.

Further, this proposal is contrary to the expedited resolution procedure needed in a dynamic competitive environment, is contrary to FERC statements that customers should strive to be in balance on a monthly basis, and will lead to additional gaming of the system as customers will continue to be cashed out on the basis of prices for the month of gas flow and will have an extended time to take that into account in trading of imbalances.

Finally, the proposal will cause the institution of either a new billing process for cashout activity on a one-month lag or alternatively the increased use of prior period adjustments on the subsequent month's invoice. The first could have a significant impact on cash flow for pipelines and the second has the potential to increase confusion for customers, increase the number of questions raised regarding bills and possibly increase disputes with respect to bills.

Accordingly, Texas Eastern and Algonquin oppose the adoption of the captioned proposed standard.



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