April 19, 1999

TO: Confirmation and Cross Contract Ranking Subcommittee chairs, Posting on the GISB home page for interested industry participants

FROM: Donna Scott and Sylvia Munson

RE: **Final Minutes from the Confirmation and Cross Contract Ranking Subcommittee Meeting—April 19 and 20, 1999**

April 19, 1999

I. Administrative

The meeting opened with Donna Scott welcoming the participants to the meeting. The antitrust guidelines were read. The roll was called and the agenda was adopted. The minutes of March 23 and 24, 1999 were adopted with changes.

II. Review of Cross Contract Ranking.

Sylvia Munson gave a brief overview of the work and findings of the Cross Contract Ranking Subcommittee. Each concept that passed in the Cross Contract Ranking Subcommittee was discussed in order to familiarize new participants to the previous work. In this review, it was noted that one of the threshold questions that still remains unanswered is, "Should the Transportation Service Provider (TSP) use the Service Requester's ranks or let the upstream or downstream TSP determine the flow based on the confirmation?"

III. Review of Transferred BPS Requests.

R97116 - Add a new data element called Cross Contract Rank Indicator to the Nomination and Scheduled Quantity datasets. This would allow the Service Requester the ability to signify in the nomination whether the supplied ranks are to be ranked across the shipper's contract(s) at the applicable specified location(s). This data element would not be used in the Nomination and Scheduled Quantity datasets of the Path Non Threaded Model.

It was noted that the confirmation process could become more complicated for the Transportation Service Providers because they would have to process the indicator and roll up quantities at the locations specified in the nomination.

Issue to be resolved: Do we need an indicator and how would the indicator work?

R97022B - Create a default confirmation where the Service Requester is mandatory in the Request for Confirmation and Confirmation Response datasets. The only time Service Requester is not mandatory is where an operator is confirming a multi-level confirmation. The subcommittee should review the usage code of the Service Requester in the Request for Confirmation and Confirmation Response datasets as it pertains to the role of confirming party. The conditionality of Service Requester is dependent upon the level of confirmation processed by the confirming party.

Issue to be resolved: What conditionality should the data elements have that are exchanged between the various party relationships during the confirmation process? Should Entity be mandatory?

R97043 - Add a data element for Interest Owner to the Nominations, Request for Confirmation, Confirmation and Scheduled Quantities Transactions. This would allow Transportation Service Providers who currently accept interest owner as a data element in the nominations to continue to provide the ability to confirm the Service Requester's nomination with the interest owner and confirm the interest owner's total with the point operator.

Issue to be resolved: What conditionality should Interest Owner have in the Nomination, Request for Confirmation, Confirmation and Scheduled Quantities datasets?

R97089B - Add Source Location to the Request for Confirmation with usage code "BC" and Confirmation Response with usage code "C." The Source Location is used to identify the origination of gas that flows on non-contiguous laterals. This helps the pipeline to determine the rate to charge for transporting gas. This identifies gas that originates on a non-contiguous lateral and then is delivered into the pipeline's contiguous mainline zone. This prevents the transport customer from being charged the transportation rate twice.

Issue to be resolved: Is there another way to handle this within the existing datasets?

IV. Definition of Scope for Subcommittee with the Addition of Confirmations.

The subcommittee as the scope for confirmations listed the following objectives:

- Determine what relationship should exist between Confirmations and Cross Contract Ranking.

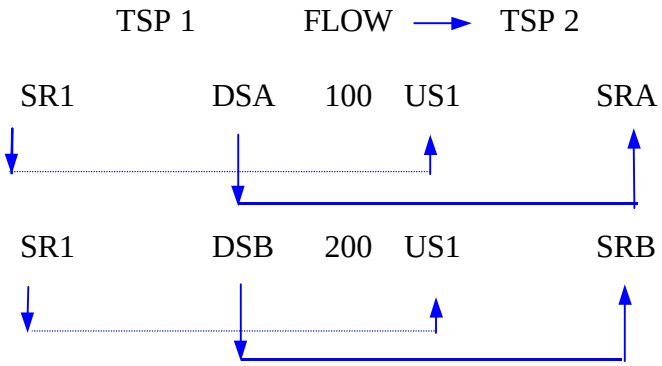
- Determine what level of detail should be supported in the confirmation process. Should the level of detail be supported at
    1. default level or
    2. various party relationships.

- Ensure compatibility with other process (ex. TTT).

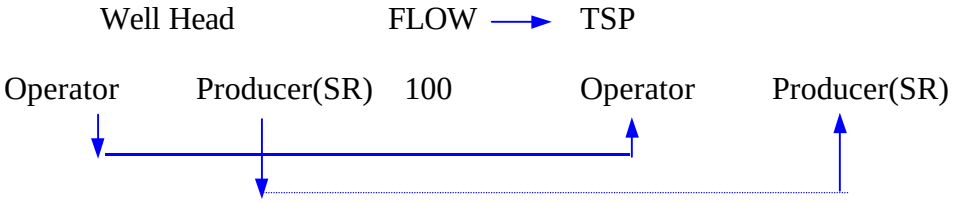
Threshold question: Should the level of confirmation be required at the entity to entity level at locations or should the confirmation process be enabled to support multiple levels of confirmations?

The following diagram depicts two of the confirmation processes between parties at different location types.

Confirmation Relationship at a Location Between Two TSPs



Confirmation Relationship at a Well Head Between the Operator and TSP



Each participant was asked to explain his or her current business practices with respect to the following questions:

1. What does Service Requester and Up/Down Entity and Up/Down Entity and Service Requester mean to them?
2. How would this level of confirmations affect their current business procedures and practices?

There was agreement from the TSPs who where present and currently employ the Path Non-Threaded Model that this conditionality already exists. Therefore, there would be no change.

It was stated that this level of confirmation would allow entities to take the gas that is confirmed at the entity level and rank the quantities among their contracts.

Some of the discussion centered on the issues that have been raised by the LDCs who are concerned about entity to entity only confirmations. One issue of concern is the title transfer activities that currently occur at TSP delivery locations to LDCs. This is where the Service Requester delivers quantities to its downstream party, and before it is delivered to the LDC's system, there are transactions that occur at the location (daisy chain). Another issue raised is when, on the LDC system, multiple contracts for the same entity exist and when the gas is confirmed for those entities, the current practice is to use the downstream or upstream contract for verification that the deals are all flanged up.

On the production side, when the TSP does not use the interest owner method (see R97043 above) the entity to entity only confirmation method would require the operator to acquire information from the interest owner concerning the identity of the Service Requester's transportation. If the Service Requester is anyone other than the interest owner, the interest owner would have to divulge his or her market to the operator, or it would require the interest owner to obtain information from the operator.

A producer did point out that in today's business environment it is commonly believed that by knowing the contract number, a party does not necessarily know who the parties involved in the transactions are. But in reality, what occurs today is confirmations are performed at the contract level, the operator is the one chasing down the contract numbers. Often the parties don't know the contract numbers because the interest owner sold to an entity that may have multiple contracts or may sell to other entities. If operators just confirmed a quantity to the interest owner, then the process would be complete. The operator is stuck in the middle, churning contracts around. It doesn't add any value.

One TSP mentioned that confirmations at a contract level are used for various business practices on their system. The groups needs to consider where Title Transfer Tracking fits in, since contracts are what allow pool to pool(s) transactions to be automated. Some TSPs use up/down contract information to stack services (i.e. Storage inject/withdraw). A lot of TSPs use these data fields for other reasons to define the services being provided. For pure confirmations, roll up to entity is easy. On this TSP's system, the operator at a producer level performs the wellhead confirmation function. A different avenue is used to accomplish tiered confirmations. The operator confirms at the producer/interest owner level. The producer can rank the contracts they are selling to and if no ranks are provided the default is pro rata.

Several TSPs currently perform multiple levels of confirmations based on the upstream or downstream requirements for confirmation at a location. One concern that was expressed is either the Service Requesters are reluctant to use ranks or there is a lack of understanding of ranks. A result of this process is better instructions for ranking and the benefits that ranking transactions provide.

It was noted that having a default confirmation rule may be a benefit to the industry, but exceptions to a single confirmation rule will swallow the rule. If a default method is recommended, then the group has to do what is technically possible. If there is a mismatch on the 'desired' confirmation, it is possible to roll detail up, but not to roll down if the information isn't present.

One TSP participant currently uses the Contract/Package ID level of confirmation. The main reason its customers have migrated to this level of detail is to monitor the gas purchased against the gas delivered. To do something different would require a change in customer mindset. It also was mentioned that this level of detail might also help customers prepare PUC reporting documents.

The subcommittee needs to provide a way whereby customers can tell that the gas got delivered and who delivered it.

The meeting recessed.

April 20, 1999

The subcommittee generated the following list of questions relating to the confirmation requests. Each participant was asked to indicate with a mark, his or her top four questions. The tally for each question was counted as represented by the parenthesis after each question.

1. Can there be a standard default level of confirmation elements to be used by each set of confirming party relationships? (6)

2. Are there different data requirements for each set of confirming party relationships? (1)

3. Who are the different confirming parties? (22)

4. What are the different confirming party relationships? (8)

5. Are there dependencies in these relationships driven by the data requirements? (0)

6. Should there be one standard level the industry supports and what is it? Is it partner role specific or industry level? (17)

7. If there is more than one industry standard level of confirmations, who are the parties that mutually agree? Should there be a choice available to Service Requester and/or Confirming Party on what level should be used? (0)

8. Should the confirmation process be reengineered? (21)

9. Should entity level confirmations be supported in order to effectuate Cross Contract Ranking? (2)

10. How does the level of confirmation interact with Title Transfer Tracking? (1)

11. Should the operator be able to confirm at the working interest level (not including contracts)? (0)

12. Should the working interest owners be able to confirm at an entity level with the TSP? (0)

13. Should the working interest owner be able to nominate at an entity level with the TSP? (0)

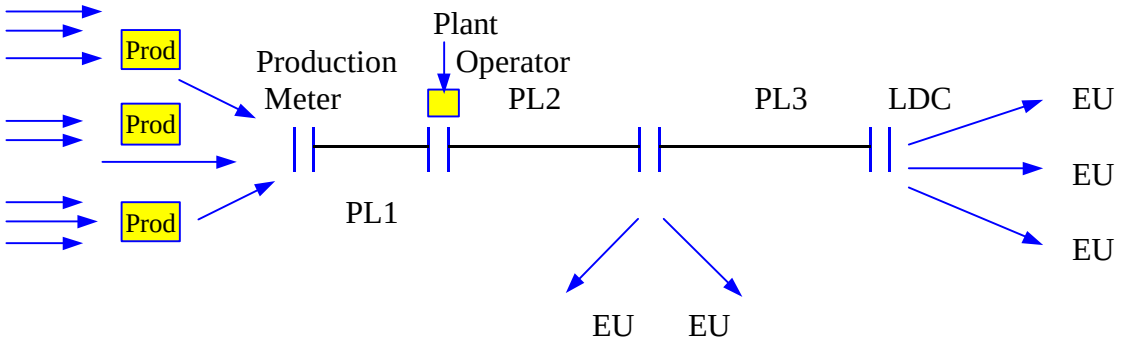
14. Should there be a relationship between the working interest owner and the TSP to effectuate 12 or 13? (0)

The first four questions to be addressed by the task force are 3, 8, 6 and 4.

3. Who are the different confirming parties?

Confirming Parties	Relationships
Transportation Service Providers - Interstate Intrastate Local Distribution Company Operator - Wellhead Plant Common Point Working Interest Owner Service Requester - Marketers Endusers LDC	TSP to Producer SR to TSP TSP to Wellhead Operator TSP to Common Point Operator

Diagram Depicting Relationships*



* Not all relationships are included in the diagram.

8. Should the confirmation process be reengineered?

Some parties wanted to discuss reengineering the confirmation. Others mentioned that GISB should not make the confirmation process more complicated. The group needs to determine as gas flows across a meter, whose instructions (ranks) apply when a reduction needs to be made. The group needs to keep in mind that what the industry does today works for a lot of people. The group needs to understand the current business needs and determine if fewer options are better before standardizing the confirmation process.

The following motion was made and seconded.

Concept 1: The confirmation process should be reviewed to identify areas where improvements should be implemented.

After discussion a balanced vote was taken which resulted in the motion passing.

Balanced vote for Concept 1

Segment	In Favor	Balanced In Favor	Opposed	Balance Opposed
End User	1	1	0	0
LDC	1	1	0	0
Producer	1	1	0	0
Services	4	2	0	0
Pipeline	1	.4	4	1.6
Total	8	5.4	4	1.6

6. Should there be one standard level the industry supports and if so, what is it? Is it partner role specific or industry generic?

The following motion was made and seconded.

Concept 2: The standard level of confirmation should be industry generic (only one method).

After discussion a balanced vote was taken which resulted in the motion failing.

Balanced vote for Concept 2

Segment	In Favor	Balanced In Favor	Opposed	Balance Opposed
End User	0	0	1	1
LDC	0	0	1	1
Producer	1	1	0	0
Services	0	0	1	1
Pipeline	0	0	10	2
Total	1	1	13	5

The following motion was made and seconded.

Concept 3: There should be a single default level of confirmation for a confirming party/location type. (Such as: at production, interconnect to interconnect, and interconnect to LDC locations.)

After discussion a balanced vote was taken which resulted in the motion passing.

Balanced vote for Concept 3

Segment	In Favor	Balanced In Favor	Opposed	Balance Opposed
End User	1	1	0	0
LDC	2	2	0	0
Producer	1	1	0	0
Services	3	2	0	0
Pipeline	4	.4	1	1.6
Total	11	7.46	1	.4

The subcommittee began to discuss the different confirming party relationships from their point of view.

4. What are the different confirming party relationships?

I. Confirming party roles at wellhead from operator/working interest owner perspective.

1. Operator with TSP for Working Interest Owner.
- Operator confirms with TSP by providing quantities for each Working Interest Owner.
2. Operator with TSP for Working Interest Owner and Service Requester.
- Operator confirms with TSP by providing quantities for each Working Interest Owner to Service Requester (Contract).
3. Working Interest Owner with TSP for Working Interest Owner and Service Requester.
- Working Interest Owner (not as Operator) confirms with TSP by providing quantities for each of that Working Interest Owner's Service Requester's (Contract) at a location.

II. Confirming party roles at LDC interconnects (city gates included), interstate and intrastate, from LDC perspective.

LDC with TSP for LDC SR
- LDC confirms with TSP by providing quantities for each Service Requester of the LDC (package id, contract, and entity)

LDC confirms with TSP for End User.
- LDC confirms with TSP by providing quantities for each End User.

Enduser for TSP for Service Requester
- Enduser confirms with TSP by providing quantities for each of those Endusers Service Requesters at the location.

LDC with TSP for its SRs and TSPs SRs (Entity, Contract, Package).
- LDC confirms with TSP by providing quantities for each of that LDC's SRs and TSP SRs at the location.

III. Confirming party roles at TSP to TSP interconnects (Interstate to Interstate)

IV. Confirming party roles at TSP to TSP interconnects (Interstate to Intrastate)

V. Confirming party roles at TSP to TSP interconnects (Intrastate to Intrastate)

VI. Confirming party roles at TSP to Enduser (Interstate)

VII. Confirming party roles at TSP to Enduser (Intrastate)

VIII. Confirming party roles at TSP to Operator from TSP perspective.

The subcommittee participants were encouraged to submit work papers that will aid in the completion of identifying party roles for the next meeting, which is scheduled for May 24 and 25.

The meeting was adjourned.