



North American Energy Standards Board

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via email and posting

March 15, 2002

TO: NAESB Contracts Subcommittee Participants & Posting for Interested Industry Participants

**FROM: Cary Metz, Midland Cogeneration Venture, Chairman Contracts Subcommittee
Rae McQuade, NAESB Executive Director**

RE: Final Minutes of the Contracts Subcommittee Conference Call – March 14, 2002

**NORTH AMERICAN ENERGY STANDARDS BOARD
NAESB CONTRACTS SUBCOMMITTEE MEETING – CONFERENCE CALL
Thursday, March 14, 2002
FINAL MINUTES**

1. Administrative

Participants were welcomed, attendance was taken, and the antitrust statement was read. The agenda was adopted.

2. Review of FTA Changes

Mr. Johnson reviewed each of the changes as follows:

1. It has come to our attention that an individual may not have had a mirror agreement in place. The FTAA did not include the matching terms and conditions of the Agreement with the Buyer's Repurchaser. [for proposed solution see preamble, a.) on page 1].

Discussion: After explanation by Mr. Johnson, Ms. Hazel, and others, there was agreement in concept to this item with concerns raised on the following language in the preamble: "The FTA Agreement is designed to be a model contract and can be customized to fit different situations and to accommodate different commodities." If changes are made to the provision, they would be addressed in special provisions. There is a need to use this contract for electric power transactions – and instead of providing mark-ups to the Natural Gas FTAA, it was suggested that NAESB have a separate FTA agreement for electric power. As such the first paragraph and title were modified as attached.

2. Gas was nominated into a pool other than the Buyer's Repurchaser's pool. [for proposed solution see preamble, b.) on page 1].

Discussion: Agreement in concept to this item.

3. The FTAA was utilized for gas, which went into a Woman and Minority-Owned Business Enterprise (WMBE) pool and not the pool of the LDC. [for proposed solution see preamble, c.) on page 1].

Discussion: Agreement in concept to this item.



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4. This change was implemented to clearly and more forcefully resolve any concerns about a possible WMBE bankruptcy impeding or altering the flow of funds specified in the FTA Agreement. [for proposed solution see page 4, Section 3.1 ..."Funds received from Buyer's Repurchaser shall be held in trust by the FTA for the benefit of the Seller to the extent of the purchase price owing from the Buyer to the Seller."].

Discussion: For clarification, some of the language was moved from section 3.1 to section 2.2. There was discussion on changing the wire transfer to electronic funds transfer, but the modification was not made as a result of the difference in timing of receipt of funds.

5. The purpose of this change is to clearly and succinctly identify the specific funds of each Producer. [for proposed solution see page 4, Section 3.1 ..."Additionally, the Transaction Confirmation #, assigned to the operative Exhibit A-2 by the Buyer's Repurchaser, shall be the same Transaction Confirmation # utilized for the corresponding Exhibit A-1 for each and every operative Transaction Confirmation."].

Discussion: See discussion under item 4.

6. The Exhibit A-1 has a new box that is intended to be a frequent reminder of key terms and conditions that are included in the base documentation of the FTA Agreement but seldom reviewed. [for proposed solution see ..."BUYER AND SELLER AGREE THAT PAYMENT INSTRUCTIONS MAY NOT BE MODIFIED DURING THE OPERATIVE PERIOD OF THIS BINDING TRANSACTION CONFIRMATION"...].

Discussion: All were in conceptual agreement to the change proposed.

7. The AMENDMENT TO NATURAL GAS SALE AND PURCHASE CONTRACT has been strengthened by the addition of a NOTIFICATION SECTION to clearly make it a requirement to provide a copy of the Exhibit A-2 to the Fund Transfer Agent. [for proposed solution see page 2, Section 4: NOTIFICATION].

Discussion: All were in conceptual agreement to the change proposed.

8. A large Repurchaser has requested that the AMENDMENT TO NATURAL GAS SALE AND PURCHASE CONTRACT be changed to provide the Repurchaser with the option to specify the name(s) of Authorized Suppliers. [for proposed solution see page 2, Section 5: OPTION OF REPURCHASER].

Discussion: All were in conceptual agreement to the change proposed and some clarifying changes were made. Changes were made to Special Provision to clarify the terms Buyer and Seller.

9. The Exhibit A-2 has a new box that is intended to be a frequent reminder of key terms and conditions that are included in the base documentation of the FTA Agreement but seldom reviewed. [for proposed solution see ..."BUYER AND SELLER AGREE THAT PAYMENT



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INSTRUCTIONS MAY NOT BE MODIFIED DURING THE OPERATIVE PERIOD OF THIS BINDING TRANSACTION CONFIRMATION"...].

Discussion: All were in conceptual agreement to the change proposed.

10. Mr. Johnson highlighted an additional change that was not on the request. He noted that for Exhibit A-2, one column is not needed and should be eliminated to provide additional space for the entries of delivery point and price.

Discussion: All were in conceptual agreement to the change proposed.

After a review of all the changes, Ms. Bragg raised an issue on credit mitigation. Ms. Bragg noted that the repurchaser does not have any credit mitigation should problems arise with the suppliers not delivering gas as contracted. Similarly, Ms. Hazel noted that the suppliers do not have credit mitigation if gas is delivered but the repurchaser does not pay for gas received. It was noted that the purpose of the FTA agreement was to provide a financial mechanism for suppliers doing business with WMBE companies and for buyers doing business with WMBE companies, and not to address protection terms for the credit mitigation issues of the repurchasers and the suppliers.

3. Adjourn

The meeting adjourned 4:15 pm CCT. Another conference call will be scheduled for March 26 at 2:00 p.m. central to review the language that was conceptually supported and to possibly vote to accept the revised FTA agreement.

4. Attendance

Organization	Attendee
Calpine	Tiffany Silvey
Conoco	Carolyn Hazel
Department of Energy	Christopher Freitas
Duke Energy	Donna Bailey Lisa Mellencamp Michele McClendon
Federation Power	Emil Pena Bill Mack Marcus Decunia
Midland Cogeneration	Cary Metz
NAESB	Rae McQuade



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Organization	Attendee
PanCanadian	Paramy Graf
Reliant	Barbara Hammack Ronda Alphin
San Diego Gas & Electric	Jim Woodford Jim Walsh
Sempra Trading	Tony Molnar
Sempra Utilities	Jeff Thorsen
So Cal Gas	Reginald Gentry
Washington Gas	Audrey Bragg
Visage Energy	Will Johnson

Membership is not a requirement to participate in this or any GISB meeting. Membership is not a requirement for voting in this subcommittee.