



# Gas Industry Standards Board

1100 Louisiana, Suite 4925, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: gisb@aol.com

Home Page: www.gisb.org

via email and posting

**TO:** GISB Contract Subcommittee Participants & Posting for Interested Industry Participants

**FROM:** Rae McQuade, Executive Director  
Diane McVicker, Co-Chairman, GISB Contracts Subcommittee  
Cary Metz, Co-Chairman, GISB Contracts Subcommittee

**RE:** Final Minutes of the Contracts Subcommittee Meeting – May 22, 2000

**DATE:** June 26, 2000

**GAS INDUSTRY STANDARDS BOARD**  
**GISB CONTRACTS SUBCOMMITTEE CONFERENCE CALL**  
**1:00 p.m. to 4:00 p.m., May 22, 2000**  
**FINAL MINUTES**

**I. Administrative**

Ms. McVicker and Ms. Metz welcomed participants. Ms. McVicker asked participants to introduce themselves for the roll call. Ms. Metz read the antitrust statement. The agenda was adopted with a modification to add an item to discuss the process. The April 24, 2000 Draft Minutes were approved, with the suggestion that the meeting minutes should reflect the intent and provide documentation for any changes and all changes to the contract should be marked as to the reason for the changes made. As sections are approved, the changes will be defined.

**II. Proposal**

It was proposed that the subcommittee try to reach agreement on the concepts and save the actual language for a later meeting. The proposal passed unanimously.

**III. Review of Changes Submitted for the Short Term Base Contract**

The subcommittee began with Section 2.

SECTION	DISCUSSION
Section § 2.1	There was a proposal to conceptually agree to draft a definition of "affiliate." The motion failed 11 to 5.
Section § 2.5	There was a proposal to add a definition for "Business Hours." After discussion, the proposal was dropped.
Section § 2.6	There was a proposal to adopt the concept that the definition of "Contract" be broadened to include the special provisions attachment, if any. The concept passed unanimously; the implementation will be deferred but the concept will be reflected in the definition in either 2.1 Base Contract or 2.6 Contract.
Section § 2.6 proposed	Proposal to add a definition of "Cash Out." The discussion has been referred until the subcommittee discusses Section 3.2.
Section § 2.9	It was agreed that any discussion of events of default would be deferred



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SECTION	DISCUSSION
	until Section 10's discussion.
Section § 2.17 proposed	This was a proposal to include financial transactions and discussion was tabled until Section 3.2.
Section § 2.22	This proposal is also tied to financial transactions and as such was tabled until the discussion of Section 3.2.
Section § 2.25	<p>There was a proposal to include a definition of "NYMEX Forward Price." It was decided to postpone this discussion until Section 3.2 also.</p> <p><i>Further discussions on definitions was postponed until after review of the remaining sections of the contract.</i></p>
Section § 3.2	<p>Several discussions over this section were held.</p> <p>It was decided not to include EFP transactions in the short term GISB contract (see attached notes of discussion).</p> <p>It was conceptually agreed to move recovery of imbalance charges to Section 4.3. The Exxon/Mobil language was accepted and Section 3.2 (Cover Standard) was modified as follows:</p> <p><i>The exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following:</i></p> <p><i>... the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3.</i></p> <p>It was unanimously agreed that the language should be clarified so that within the cover standard part of the damages may be recovered under the spot standard; specifically, the cover standard should apply to gas volumes which can't be resold or repurchased but the spot standard should apply to those volumes which can. There still needs to be clarification as to when failure occurs with intraday nominations.</p> <p>Dynegy requested incremental transportation be included within the spot price standard, but after discussion, the request was withdrawn.</p>
Sections § 3.3 and 3.4, proposed	<p>Conceptually, it was agreed (13 to 3) to add language to allow early termination in the short term contract because there may be several short term deals with the same counter party having differing terms and conditions.</p> <p>Relative to the proposed Dynegy language, several things were covered in concept. It was suggested that we discuss possible issues of the parties, especially relative to default:</p> <p>Should the breaching party benefit from the breach (two way termination provision?)</p> <p>Is there case law for how to deal with bankruptcy? Does the forward contract help clarify positions during bankruptcy?</p>



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**SECTION****DISCUSSION**

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Can we work with the existing Section 10 (Financial Responsibility) to clarify these issues?

#### **IV. Adjourn**

The next meeting will be held via conference call. The meeting will continue with the agenda and begin with the changes suggested for section § 4 of the base contract. The meeting was adjourned.



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## V. Attendees

Member? <sup>1</sup>	Name	Voting? <sup>2</sup>	Company
<b>Services:</b>			
Y	Dutton, Mitch	Y	AEP Energy Services, Inc.
Y	Szasz, Cathy A.		AEP Energy Services, Inc.
Y	Shaffer, Janis W.		AEP Energy Services, Inc.
Y	Rogers, Marty	Y	Entergy Power Mkt.
Y	Lane, Dennis	Y	Coral Energy
Y	Stubblefield, Deborah	Y	Corcoran Law Offices
Y	McAfee, Brenda		Dynegy , Inc.
Y	Scheel, Mark	Y	Dynegy, Inc.
Y	Kohnky, Ernie		Dynegy, Inc.
N	Bettis, Vicky	Y	Engage Energy US, LP
N	Ryan, Porter		Engage Energy US, LP
Y	Dickson, Stacy	Y	Enron North America
Y	Young, Randy	Y	Koch Midstream Services
Y	Graff, Paramy	Y	Reliant Energy
Y	Alphin, Rhonda		Reliant Energy
Y	Russo, Diane		Reliant Energy
Y	Minnis, Jennifer		Reliant Energy
Y	McGough, Scott	Y	Southern Company Energy Marketing, L.P.
Y	Hollingsworth, David	Y	William Energy Marketing and Trading
Y	Cooper, John		Williams Energy Marketing and Trading
<b>End Users:</b>			
Y	Gussow, Dona	Y	Florida Power & Light
Y	Ebner, John		Florida Power & Light
Y	<b>Metz, Cary</b>	Y	Midland Cogeneration Venture
Y	Bill Hebenstreit	Y	El Paso Merchant Energy
Y	<b>McVicker, Diane</b>	Y	Salt River Project
<b>Producers:</b>			
Y	Sevier, Vernon	Y	ExxonMobil

<sup>1</sup> GISB membership for 2000 - membership is not a requirement to participate in this or any GISB meeting. Membership is not a requirement for voting in this subcommittee.

<sup>2</sup> Only one representative per company can vote at a meeting.



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Member? <sup>1</sup>	Name	Voting? <sup>2</sup>	Company
Y	Cross, Matt J.		ExxonMobil
Y	Jarvis, Jess	Y	Pan Canadian
<b>LDCs:</b>			
Y	Patrick, Steve	Y	SoCal Gas
Y	Ishikawa, Angie		SoCal Gas
Y	Chang, Ibtisam (?)		SoCal Gas
Y	Oppenheim, Bill	Y	PECO Energy



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### Section 3.2 Additional Notes

**The concept being proposed is to use the GISB contract for EFP and NYMEX pricing tools.**

Q: Why are they needed? What makes them different from firm and spot?

A: Basically parties have rights under certain transactions to trigger penalties; there should be space added to select Inside FERC as a standard for EFP in addition to the Cover and Spot Price Standards

Q: Should this be applicable only to longer term contacts? Can you have a 30 day NYMEX forward transaction?

A: Yes

Q: Must it be Inside FERC?

A: Yes, there is nothing else available; all financials deals must go through NYMEX.

Q: Why not select Inside FERC as the Spot Price Publication?

A: Something to consider.

Q: The real issue is do we need to mention something in the contract for this area? Can the confirmations drive this?

A: Customers want to know when the penalty kicks in. Gas Daily is picked for spot transactions because it most accurately matches what gas prices are.

**The concept of using the short term GISB contract for EFP transactions as proposed by Dynegy failed 11 to 4.**