



Gas Industry Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

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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 – November 28, 2000

DATE: December 15, 2000

GAS INDUSTRY STANDARDS BOARD
GISB CONTRACTS SUBCOMMITTEE CONFERENCE CALL
November 28, 2000
FINAL MINUTES

I. Administrative

Ms. McVicker welcomed the participants and took roll call. Ms. Cary Metz read the antitrust statement. The agenda was adopted as modified to reflect: postponement of the first bullet in Item 2 and the addition of a discussion of some miscellaneous items. The October 18 minutes were adopted.

II. Miscellaneous

Ms. Metz discussed the following action plan:

- For completing Section 10, the Consensus document drafting group organized by Mitch Dutton, AEP (fmdutton@AEP.com); if interested, please contact Mitch.
- GISB will post the following workpapers or websites:
 - The GasEDI Agreement can be located at <http://gasedi.ca>
 - Draft workpaper from AEP on consensus document
 - AEP's draft comparison of GISB to GasEDI agreements
- After completing the first pass of the concepts, the Contracts Subcommittee will determine if there will be subgroup(s) to draft language and provide it to the subcommittee as a workpaper.
- Those drafting language will consider the benefit of adopting language to incorporate international terms or adding an addendum for international business, depending upon the extent of the changes necessary. They will also compare the GasEDI and EEI contracts with the GISB. The guiding principle will be to the extent that the drafting group thinks the language in the GasEDI agreement will work for us, then the bias should be in favor of that language.



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

SECTION	DISCUSSION
Section § 10.2	<p>Exxon Mobil proposal (4/19/00) to broaden language for set off rights to allow for the non-defaulting party who owes money to the defaulting party to look across other contracts to net out. Discussions centered around the following issues:</p> <ul style="list-style-type: none">Cross commodityNot across affiliatesLate payments onlyOne time set off <p>After much discussion, this concept is deferred pending the workpaper provided by the Consensus document drafting group.</p>
Section § 11	<p>AEP workpaper (9/11/00) proposing to standardize partial curtailment language. After discussion, the concept was defeated unanimously.</p>
Section § 11.2	<p>Williams workpaper (5/22/00) proposing to broaden the applicability of Force Majeure to EFP transactions to include events at NYMEX or KCBOT. Conoco questioned whether Force Majeure should apply to EFP at all. This topic is tabled for the next meeting or when a representative with derivative experience is available.</p>
Section § 11.3	<p>AEP workpaper (4/24/00) proposing to broaden the language of what is excluded from Force Majeure to include:</p> <ul style="list-style-type: none">(iv) increases or decreases in gas supply due to allocation or reallocation of production by well operators, pipelines, or third parties other than regulatory agencies;(v) the loss of Buyer's markets of Buyer's inability economically to use or resell Gas purchased hereunder;(vi) the loss or failure of Seller's gas supply or depletion of reserves;(vii) Seller's ability to sell Gas to a more advantageous market or Buyer's ability to purchase Gas at a price more advantageous than the Contract Price;(viii) a regulatory agency disallowing the pass through of costs resulting from this Agreement; or(ix) interruption of specific supply or markets at "pooling points" or "hubs" without the hub or pooling point operator claiming Force Majeure, or <u>Gas Daily</u> reporting less than two transactions at that pooling point during the claimed Force Majeure. <p>After much discussion, (iv) and (ix) were dropped; (vi) was modified to include a reference to 11.2; (v) was amended to exclude loss of Buyer's markets pursuant to 11.2; and (vii) and (viii) were accepted as proposed. The above points and concepts will expand upon "economic hardship" in 11.3 (iii) of the agreement.</p> <p>During the discussion, it was noted that the industry seems more willing to accept tighter Force Majeure standards than when the first GISB agreement was drafted.</p> <p>The requirement for "firmness" depends upon where you are in the</p>



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SECTION	DISCUSSION
	<p>chain – producers need interruptibility to reflect varying well outputs; whereas, end users dependent upon a single gas source require very firm.</p> <p>One option to address these concerns may be to have boxes on the front page where parties can elect the level of firm required and covered under the agreement. There was no vote taken on this option.</p>

IV. Adjourn

The next meeting is tentatively scheduled to be in Houston on December 15, 2000 from 8:30 to 11:00 am CCT. Items for discussion at the meeting include:

- Draft Consensus Document and relevant concepts
- Applicability of Force Majeure to EFP transactions, pending the attendance of someone with derivatives experience.
- Any workpapers dealing with the remaining sections.
- Next meeting dates.

The meeting was adjourned at 4:00 pm CCT.

V. Attendees

Member? ¹	Name	Voting? ²	Company
Services:			
Y	Mitch Dutton	Y	AEP
Y	Janis Shaffer		AEP
Y	Cathy Szasz		AEP
Y	Scott Ackerman	Y	Aquila
Y	Gina McMahan	Y	BTUWatch.com
Y	Ernie Kohnke	Y	Dynegy Marketing & Trading
Y	Mark Scheel	Y	Dynegy Inc.
No	Porter Ryan	Y	Coastal Merchant Energy LP
Y	Jeff Hodge	Y	Enron North America
Y	Jennifer Minnis	Y	Reliant
Y	Paramy Graf		Reliant
Y	Rhonda Alphin		Reliant

¹ 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.

² Only one representative per company can vote at a meeting.



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Member? ¹	Name	Voting? ²	Company
Y	Sherry Stofer	Y	Southern Co. Energy Marketing, L.P.
Y	David Hollingsworth	Y	Williams Energy Marketing
End Users:			
Y	Cary Metz	Y	MCV
Y	Eric Hurlocker	Y	PPL
Y	Gary Shay		PPL
Y	Dona Gussow	Y	FPL
Y	Diane McVicker	Y	Salt River Project
No	Janet Dixon	Y	Calpine
Y	Bill Hebenstreit	Y	El Paso Merchant Energy
Producers:			
Y	Carolyn Hazel	Y	Conoco
Y	Vernon Sevier	Y	ExxonMobil
LDCs:			
Y	Angie Ishikawa	Y	SoCal Gas
Y	Ibtissam Chang		SoCal Gas