Gas Industry Standards Board

1100 LOUISIANA, SUITE 4925, HOUSTON, TEXAS, 77002
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Home Page www.gisb.org

August 5, 1997

TO: Chairs of the FTAA[1] Task Force for the Contracts Subcommittee, Posting on the GISB home page for interested industry participants

FROM: Rae McQuade, Executive Director

RE: August 5 Minutes from the working session conference call of FTAA Task Force

I. Administrative

The meeting opened with Jeff Hodge welcoming the attendees. Ms. McQuade gave antitrust advice and the roll call was performed. The agenda was adopted. The working papers for the meeting were identified by Carolyn Hazel. Ms. Hazel was thanked for her efforts in preparing the drafts.

2. Funds Transfer Agency Agreement Draft Review

Ms. Hazel reviewed Section 1.1 and no changes were suggested.

Ms. Hazel reviewed Section Article 1.2 and there was discussion on the payment obligation the month after termination. Lines 17, 18 and 19 were altered to ***"The obligation to make payment hereunder, including any related adjustments, are intended to survive the termination or cancellation of this FTA Agreement."*** at the request of Ms. Craft and Mr. Freitas. The reference to Agreement will be changed throughout the document to FTA Agreement.

On review of Article 1.3, line 27 was altered to "or otherwise exist ***with respect to the*** FTA, except those expressly set forth within." In retyping the documents the original wording was "against" and was inadvertently omitted; it was not inserted as the change replaced where .

On review of Articles 2.1 and 2.2, no changes were offered.

In discussion on Article 2.3, Marcy Collins noted her concerns to ensure that as the seller tenders gas, it will be taken and payment received. Ms. Hazel noted that this section is primarily regarding payment obligation not the delivery of the gas. Ms. Collins suggested adding "delivery obligation to this section". The base contract uses the term "performance obligation". The language on Article 2.3 lines 42-43 was altered to: "... to take delivery of a like quantity of gas at the Delivery Point(s) identified on the Transaction Confirmation ***under the same Performance Obligations (firm or interruptible)."*** Ms Collins raised a concern was the notifications from the ultimate repurchaser than interruptions have occurred which affect the seller. The FTAA was intended to provide assurance that the seller would receive payment for the gas actually purchased, not necessarily the performance. On changed to the Special Condition on line 58: "... above, ***under the same performance obligations,*** and ..." .

On review of Articles 2.4 and 2.5 and Article 3 no changes were offered.

For Article 4, sections 4.3 and 4.4 had facsimile numbers added for convenience. The confirmation form example would be added to the FTA.

At the end of the discussion on the FTA, no other concerns were voiced, and Ms. Craft reserved comments until her legal staff has finished its review. Will Johnson will have others that are using the agreement, specifically banks, review the document for any other comments. The revised draft will be posted on the GISB Home Page with the date prepared of August 5, 1997.

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[1] FTAA Task Force is the Funds Transfer Agent Agreement Task Force. The Funds Transfer Agent Agreement is proposed to be used with GISB Standard 6.3.1: The Base Contract for Short Term Purchases/Sales of Natural Gas.

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3. Special Provision to the Natureal Gas Sale and Purchas Contract Review

Ms. Hazel reviewed the introduction to the special provision. This document does not apply to the FTA but to the LDCs and banks. There were no offered changes to item 1. For item 2, Ms. Collins suggested adding the phrase "buyer and seller will timely send copies". After discussion, it was determined that the phrase was not needed. Ms. Collins suggested adding the "Performance Obligation" term similar to the changes made to the FTA. The changes were made to both item 2 and the special condition, conforming to the changes made Article 2.3 of the FTA Agreement.

For item 3, there was discussion on the need for changes and gaining the FTA's agreement, possibly adding the original language to the revised language and allowing changes to the payment with mutual agreement of all parties: "Neither the Base Contract nor the Transaction Confirmation may be modified during the operative period of a binding Transaction Confirmation without the written consent of Buyer, Seller and FTA." How changes would be made and parties notified were discussed. There was concern raised that the LDC may not be able to wait for the bank to agree to the changes. After discussion, Ms. Hazel will add the sentence or modify the existing sentence to item 3. Mr. Thorzu will confer with other LDCs to ensure that the language changes are acceptable. Mr. Johnson will confer with energy banks to ensure that the language changes are acceptable.

4. Recap of changes to the FTAA Draft and Special Provision to the Natureal Gas Sale and Purchase Contract

FTAA Draft

1. Global Changes: refer to FTA Agreement rather than Agreement.
2. Section 1.2, Lines 17, 18 and 19 were altered to ***"The obligation to make payment hereunder, including any related adjustments, are intended to survive the termination or cancellation of this FTA Agreement."***
3. Section 1.3, line 27 was altered to "or otherwise exist ***with respect to the*** FTA, except those expressly set forth within. In retyping the documents the original wording was "against" and was inadvertently omitted.
4. Section 2.3 lines 42-43 was altered to: "... to take delivery of a like quantity of gas at the Delivery Point(s) identified on the Transaction Confirmation ***under the same Performance Obligations (firm or interruptible)***".
5. Section 2.3, line 58 was altered to : "... above, ***under the same performance obligations,*** and ..." .
6. Sections 4.3 and 4.4 had facsimile numbers added for convenience. The confirmation form example would be added to the FTA.

Special Prov.

7. For item 2, the "Performance Obligation" term with the parenthetical will be added conforming with the changes made to the FTA Agreement, Section 2.3.
8. For item 2 special conditions, the "Performance Obligation" term will be added conforming with the changes made to the FTA Agreement, Section 2.3.

6. Adjourn

The meeting adjourned at 11:00 a.m. The next meeting will be held via conference call on August 12 from 3 p.m. to 4 p.m. central. The meeting scheduled for August 25 has been canceled.

7. Attendees[2]

	Name	Company	Phone/Fax Email	GISB Member
Producers:				
	1. Linda Craft	Amoco Production	281-366-3875/4934 linda_w_craft@amoco.com	✔
	2. Carolyn S. Hazel	Conoco	281-293-2939/3174 carolyn.s.hazel@conoco.dupont.com	✔
LDCs:				
	3. Jeff Thorsen	SoCal Gas	213-244-5622/8271	✔
Services:				
	4. Will Johnson	Visage Energy Corp.	310-216-6887/none	✕
	5. Marcy Collins	PG&E		✔
	6. Steve Waterston	PG&E		✔
	7. **Jeff Hodge**	Enron Capital and Trade	713-853-6911/646-3480	✔
	8. **Michael L. Wallace**	NorAm Energy Services	713-654-5959/5513	✔
End Users:				
	9. Laverne Tillson	Defense Fuel Sup. Ctr.	703-767-8562/8757 ltillson@dfsc.dla.mil	✔
Pipelines:				
	10. Cheryl Smith	Texas Eastern		✔
Government:				
	11. Christopher Freitas	U.S. Dept. of Energy	202-586-1657/6221 christopher.freitas@hq.doe.gov	✔
GISB :	12. Rae McQuade			

[2] The attendees' names which appear in **BOLD** are committee chairs. The others are participants. One company representative from each company in attendance, regardless of membership status, is permitted to vote.