Gas Industry Standards Board

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Home Page www.gisb.org

August 12, 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 12 Draft Minutes from the working session conference call of FTAA Task Force

I. Administrative

The meeting opened with Mr. Hodge welcoming the attendees. Ms. McQuade gave antitrust advice and the roll call was performed. The agenda was adopted. The minutes of July 21 and August 5 were adopted with changes.

Mr. Johnson brought the participants up to date on his contacts with the energy banks. His opinion was that the banks should review the draft before it is approved. Mr. Thorsen noted that PG&E is not yet using the contract as most of the gas is purchased in Canada but may want to use the FTAA. Mr. Ross of Union Bank, Bank of America and Amoco should review before final approval. The working papers for the meeting were prepared by Ms. Hazel. Ms. Hazel was thanked for her efforts in preparing the second drafts and capturing the comments made from previous meeting.

II. Review of Second Drafts

The second drafts were reviewed and no changes were made as a result of the discussions below. The 30 day industry comment period will afford the energy banks, LDCs and producers that are considering use of the FTAA and the base contract[2] but were unable to attend the FTAA task force meetings enough time to review and comment on the proposed language.

In discussion of the second drafts (see attached), there were concerns raised regarding section 3 of the "Special Provision to the Natural Gas Sales and Purchase Contract":

> "The payment instructions may not be modified during the operative period of a binding Transaction Confirmation, nor may any other provision of the Base Contract or the Transaction Confirmation be modified during the operative period of a binding Transaction Confirmation without the written consent of Buyer, Seller and FTA."

Mr. Johnson noted a concern that the language implies that banks are taking a more participatory role than cited in the original language. Ms. Hazel expressed that the clause cited should give the FTA and the producer assurances that if changes are made, they will be made aware of those changes. After discussion, Mr. Johnson concurred that the language in section 3 is needed.

III. Next Steps

As with the procedure for adopting any GISB standard, the language will be posted on the home page for a thirty day comment period. The "Standards Action Bulletin" will carry a notice that industry comment is requested. The comment period will not begin until the bank addresses are received from Mr. Freitas and Mr. Johnson. The proposed language will be forwarded via mail to the banks, as they are

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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.

[2] The base contract is GISB Standard 6.3.1: The Base Contract for Short Term Purchases/Sales of Natural Gas.

not GISB members and may not be aware of the GISB home page nor aware of the activities within GISB regarding the FTAA. After the comment period concludes, the comments received will be posted on the GISB home page for public review, and copies sent to the members of the FTAA task force and the members of the GISB Executive Committee. The Executive Commmittee will consider the comments received and the proposed language, and will vote on the proposed language as GISB Standard 6.3.2: Funds Transfer Agency Agreement. If the Executive Committee adopts the proposed language through a voting tally of at least 17 affirmative votes out of a total of 25 votes cast with at least two affirmative votes from each of the five industry segments, the adopted standard is sent out to all GISB members for a ratification. The ratification tally should be at least 67% affirmative of those members voting to pass as a standard.

Ms. Hazel will provide Exhibit A's using the regular Base Contract for Short Term Sales and Purchases of Natural Gas. When they are received they will be posted on the GISB Home Page. Ms. Hazel, Mr. Hodge and the team were thanked for their efforts as a team to very efficiently process this request through as a standard.

III. Adjourn

The meeting adjourned at 11:00 a.m. There will be no more meetings of this task force unless the Executive Committee through its consideration determines that more work is needed.

IV. Attendees[3]

	Name	Company	Phone/Fax Email	GISB Member
Producers:	1. Carolyn S. Hazel	Conoco	281-293-2939/3174 carolyn.s.hazel@conoco.dupont.com	✔
LDCs:	2. Reynard Udolth	National Fuel Gas Distribution		
	3. Jeff Thorzu	SoCal Gas	213-244-5622/8271	✔
Services:	4. Will Johnson	Visage Energy Corp.	310-216-6887/none	✕
	5. **Jeff Hodge**	Enron Capital and Trade	713-853-6911/646-3490	✔
	6. Bill Hebenstreit	El Paso Energy Marketing	713-757-1268/2180 hebenstreitb@epng.com	✕
End Users:	7. Maj. Mitch Hailstone	Defense Fuel Supply Center	703-767-8571	✔
Pipelines:	8. Cheryl Smith	Texas Eastern		✔
Government:	9. Christopher Freitas	U.S. Dept. of Energy	202-586-1657/6221 christopher.freitas@hq.doe.gov	✔
GISB :	10. Rae McQuade	GISB	713-757-4175/2491 gisb@aol.com	✔

3 The attendees' names that 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.

FUNDS TRANSFER AGENCY AGREEMENT

This Funds Transfer Agency Agreement ("FTA Agreement") is made and entered into as of [_________ __, 199_,] by *[Marketer]* (“Buyer”), *[Bank]* ("Fund Transfer Agent" or "FTA"), and *[Supplier]* ("Seller").

ARTICLE I
SCOPE OF AGREEMENT

1.1 SPECIAL PROVISION TO NATURAL GAS SALE AND PURCHASE CONTRACT: This FTA Agreement constitutes a Special Provision to that certain Base Contract for Short-Term Sale and Purchase of Natural Gas dated _________ __, 199_, between Buyer and Seller ("Base Contract"), and is intended to supplement the General Terms and Conditions ("GT&C") affecting all Transactions thereunder wherein Buyer and Seller assume the respective roles indicated above. Capitalized terms used in this FTA Agreement, which are not herein defined, will have the meanings ascribed to them in the GT&C.

1.2 TERM: This FTA Agreement shall commence on _________ __, 199_, and continue on a Month-to-Month basis until terminated by any party upon 30 days written notice to the other parties; provided, however, that this FTA Agreement may not be terminated prior to the expiration of the latest Delivery Period of any Transaction Confirmation(s) previously agreed to by the parties subject to this FTA Agreement. The obligation to make payment hereunder, including any related adjustments, shall survive the termination or cancellation of this FTA Agreement.

1.3 APPOINTMENT OF FUNDS TRANSFER AGENT ("FTA"): Seller and Buyer hereby appoint FTA as their agent under this FTA Agreement and all related documents, instruments and agreements ("Related Agreement(s)"), and authorize the FTA, in such capacity, to exercise such powers and perform such duties as are expressly delegated to the FTA by the terms of this FTA Agreement and the Related Agreements, together with such other powers as are reasonably incidental thereto. The FTA shall not have any duties or responsibilities to, or any fiduciary relationship with, Buyer or Seller, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this FTA Agreement or any Related Agreement or otherwise exist with respect to the FTA, except those expressly set forth herein.

ARTICLE II

TRANSACTION PROCEDURE

2.1 MODIFICATION TO BASE CONTRACT: The parties will use the following Transaction Confirmation procedure in lieu of the procedure set out in Sections 1.2 and 1.3 of the GT&C.

2.2 EXECUTION OF TRANSACTION CONFIRMATION BY BUYER AND SELLER: Should Buyer and Seller come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period subject to this FTA Agreement, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, to the other party and to the FTA by the close of the Business Day following the date of agreement. If a sending party's Transaction Confirmation is agreeable to the receiving party, the receiving party will execute the Transaction Confirmation and communicate copies thereof to the sending party and to the FTA by facsimile transmission by the close of the Business Day following receipt.

2.3 CONFIRMATION OF TRANSACTION BY FTA: Upon the FTA's receipt of a Transaction Confirmation executed by both Buyer and Seller or of non-conflicting Transaction Confirmations from both Buyer and Seller, FTA will verify (i) that Buyer has contracted with a repurchaser to take delivery of a like quantity of gas at the Delivery Point(s) identified on the Transaction Confirmation under the same Performance Obligation (firm or interruptible); (ii) that Buyer's repurchaser has agreed to make payment through the FTA of the funds due for its purchase of the gas delivered and accepted at such Delivery Point(s); and (iii) that the price to be paid by the repurchaser for such gas is not less than the price set out on the Transaction Confirmation between Buyer and Seller. The FTA will confirm its verification within 24 hours of its receipt of the executed Transaction Confirmation(s) by executing the FTA Confirmation Statement, as provided below, as a Special Condition at the bottom of the Transaction Confirmation and returning copies of such executed FTA Confirmation Statement to Buyer and Seller by facsimile transmission. (An example of this form of Transaction Confirmation is attached as Exhibit A-1.)

Special Condition - FTA Confirmation Statement

[Bank], as the Fund Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and hereby confirms to Seller and Buyer that it shall make payment on behalf of Buyer to Seller for the gas delivered subject to this Transaction Confirmation pursuant to the terms and conditions to its FTA Agreement with Buyer and Seller. FTA further confirms that Buyer has contracted for the repurchase of a corresponding quantity of gas at the Delivery Point(s) identified above, under the same Performance Obligation and at a price greater than the price set out

above, and that Buyer's repurchaser has agreed to make payments for such gas directly to FTA.

[Bank]: ______________________________

2.4 CONFIRMATION EXECUTION REQUIRED: If Seller or Buyer has not received the FTA's Confirmation Statement within 24 hours after communication of the executed Transaction Confirmation to FTA, such party shall contact FTA and the other party by telephone regarding such non-receipt. The parties acknowledge that their agreement will not be binding until FTA executes its FTA Confirmation Statement and communicates a copy of such to Seller.

2.5 NO MODIFICATION; ENTIRE AGREEMENT: A fully executed and confirmed Transaction Confirmation may not be modified without the written consent of Buyer, Seller and the FTA. The entire agreement between the parties shall be those provisions contained in both the Base Contract, as supplemented by this FTA Agreement, and any effective Transaction Confirmation. In the event of a conflict among the terms of (i) a Transaction Confirmation, (ii) the Base Contract, and the GT&E, the terms of the documents shall govern in the priority listed in this sentence.

ARTICLE III
PAYMENTS

3.1 PAYMENT FROM FTA: FTA shall pay Seller by wire transfer for the benefit of Buyer on the next Business day following receipt of funds paid by Buyer's repurchaser, and in accordance with FTA wire instructions contained in Section 3.2 below. Buyer shall not be required to enter into any other contractual or other arrangements in order to effectuate payments to Seller. FTA's obligation to make payment to Seller hereunder is specifically conditioned upon FTA's receipt of funds from Buyer's repurchaser.

3.2 PAYMENT ADDRESS: All payments from Buyer to Seller shall be sent through FTA via Fed Funds to Seller at the address set out herein. Only Seller may request revisions to the address specified for payment herein, which requests shall not be made more than two times per year, unless due to merger or mandated by State or Federal regulations.

[Supplier'] - Wire Transfer Account
Bank: *[Supplier's Bank]*
Account No. *[000-00-000000]* ABA # *[000000000]*
[City, State]

Invoice Reference No. _____________

Please include invoice reference number _______________ in the text field of your wire transfer.

ARTICLE IV
NOTICES

4.1 NOTICE REQUIREMENTS: Any notice provided for in this FTA Agreement, or any notice which any party may desire to give to the others, shall be in writing and shall only be deemed to be duly delivered upon receipt. Such notice shall in each instance be sent by facsimile or other mutually acceptable electronic means, and confirmed by a telephone call as soon as possible during common business hours, to the contacts set out below.

4.2 NOTICES TO FTA:

Primary Contact:	Emergency Contact:
[name]	*[name]*
Telephone No:	Telephone No:
Facsimile No:	Facsimile No:

4.3 NOTICES TO BUYER:

Primary Contact:	Emergency Contact:
[name]	*[name]*
Telephone No:	Telephone No:
Facsimile No:	Facsimile No:

4.4 NOTICES TO SELLER:

Primary Contact:	Emergency Contact:
[name]	*[name]*
Telephone No:	Telephone No:
Facsimile No:	Facsimile No:

4.5 CHANGE OF CONTACTS: Any party may change the designated contact and telephone or facsimile numbers for notices upon seven days written notice.

As evidence of their agreement hereto, the parties have caused this FTA Agreement to be duly executed in triplicate originals by their authorized representatives as of the date first written above.

BUYER:		SELLER:	
By:	______________________	By:	______________________
Name:	______________________	Name:	______________________
Title:	______________________	Title:	______________________

FUNDS TRANSFER AGENT:

By: ______________________

Name: ______________________

Title: ______________________

SPECIAL PROVISION TO NATURAL GAS SALE AND PURCHASE CONTRACT:

This Special Provision amends that certain Base Contract for Short-Term Sale and Purchase of Natural Gas dated ______________ ____, 199_, between *[Repurchaser]* and *[Marketer]* ("Base Contract"), and is intended to supplement the General Terms and Conditions ("GT&C") affecting all Transactions thereunder wherein *[Repurchaser]* is buyer and *[Marketer]* is seller. Capitalized terms used in this Agreement, which are not herein defined, will have the meanings ascribed to them in the GT&C.

1. DEFINITION OF "FTA": The term "FTA" or "Funds Transfer Agent" will refer to:
[Bank]
[Bank's address]

2. CONFIRMATION OF TRANSACTION BY FTA: Buyer and Seller will send copies of their respective Transaction Confirmations to FTA. Seller will obtain confirmation by the FTA that Seller has contracted with a supplier to deliver a like quantity of gas at the Delivery Point(s) identified on the Transaction Confirmation, under the same Performance Obligation (firm or interruptible) and at a price no greater than the price set out on the Transaction Confirmation between Buyer and Seller. Such confirmation will be documented by the FTA's execution of the FTA Confirmation Statement, as provided below, as a Special Condition at the bottom of the Transaction Confirmation sent by Seller to Buyer. (An example of this form of Transaction Confirmation is attached as Exhibit A-2.)

Special Condition - FTA Confirmation Statement

_________________________________, as the Fund Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and confirms that Seller has contracted for delivery of a corresponding quantity of gas at the Delivery Point(s) identified above, under the same Performance Obligation and at a price no greater than the price set out above. FTA will accept payment from Buyer on behalf of Seller under the terms and conditions of the Base Contract.

[FTA]: _____________________________

3. NO MODIFICATION: The payment instructions may not be modified during the operative period of a binding Transaction Confirmation, nor may any other provision of the Base Contract or the Transaction Confirmation be modified during the operative period of a binding Transaction Confirmation without the written consent of Buyer, Seller and FTA.