



333 S. Erie Street
Toledo, Ohio 43602

VIA FACSIMILE/E-MAIL

January 15, 2002

Ms. Rae McQuade
Executive Director
Gas Industry Standards Board
1100 Louisiana, Suite 3625
Houston, TX 77002

Re: Comments of NiSource Energy Distribution Group Regarding Proposed GISB Base Contract for Purchase and Sale of Natural Gas

Dear Rae:

Pursuant to the solicitation of comments regarding proposed revisions to the GISB *Base Contract for Sale and Purchase of Natural Gas*, the NiSource Energy Distribution Group, comprised of Northern Indiana Public Service Company, Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, Bay State Gas, Northern Utilities Natural Gas, Kokomo Gas and Northern Indiana Fuel and Light (collectively "the NiSource LDCs") hereby offer some general comments and specific modifications to the draft contract.

The NiSource LDCs do not use the standard GISB base contract, but do utilize the contract as amended to meet their needs and contracting standards for both short- and long-term purchases. NiSource anticipates that it would utilize portions of a revised GISB base contract in the same manner.

The draft contract does not appear to recognize some of the different considerations that apply in longer-term purchase arrangements for a utility. It may be that some of the terms or transactions in long-term arrangements must be left for amendments to a standard contract. However, certain revisions are required before the draft contract would be usable even with certain individual amendments. Specifically,

1. Section 1: While transactions may be entered into verbally, NiSource firmly supports the need to confirm the transaction in writing. The draft contract includes potentially significant reliance on recorded telephone conversations. The contract should not provide the opportunity to move away from written confirmations through a blanket agreement to recording without specific notice or use of recordings to enforce contracts. The language of Section 1.3 regarding conflict among oral and written agreements is not clear as to what document ultimately controls.
2. Section 6. The draft should specify that neither the contract price nor any other term of the contract is affected by any change in the rate or amount of any applicable tax on either party.
3. Section 7. The contract is unclear regarding when invoices must be issued, which could affect the length of time before an activity is finalized. NiSource prefers the invoice to be sent by the 10th of the following month, to be paid by the 25th or 10 days after receipt.
4. The contract lacks important dispute resolution language. NiSource suggests at a minimum a procedure requiring that the aggrieved party promptly notify the other party and, if the parties fail to resolve the dispute within 10 Business Days, then appointed officers of the two parties meet to resolve the dispute.

5. Section 8.4. Quality is of such consequence that in addition to specifying that Seller be liable for claims that arise from failure to meet Transporter's minimum standards, NiSource believes Buyer should not be obligated to accept delivery of, or pay for, any Gas that does not meet the quality standards.
6. Section 10. This section as drafted shows a bent toward contracting from the Seller's point of view, noticeable in several other areas as well. In particular, only a party with reasonable grounds for insecurity regarding "performance of a payment obligation" may move or adequate assurances. For the LDC purchaser of gas, the key performance issue is the delivery of needed gas volumes.
7. Section 11. Force Majeure is defined specifically to include regional weather events and to exclude events of economic hardship including regulatory situations that are negotiable issues, particularly for long-term contracts. Such specific references should be removed from the standard contract or it will not be readily usable for utilities.
8. Section 14.5. NiSource agrees that the controlling law should be agreed to between the parties and specified in a confirmation. NiSource does not agree, though, with establishing Texas as the default jurisdiction.
9. For long term arrangements, NiSource finds it appropriate and important to ensure in writing that the parties are engaged in the direct commercial use of Gas in the ordinary course of business, that the parties know and understand the industry, necessary regulatory authorizations or documentation, and each warrant that it has or will maintain such authorizations required of it. In addition, signatories to such a contract should warrant their full authority to enter into and be bound by the agreement.

NiSource also notes that EEI provides a *Standard Master Power Purchase & Sale Agreement* that was developed by an industry collaborative for use in wholesale electric transactions. While some of the technical terms and types of transactions differ between gas and electricity, there may be considerable value in the contracts being as consistent as possible with regard to underlying legal principles and form. As NAESB evolves into an organization representing gas and electric interests, more closely aligned standard contracts or even a combined contract may be possible.

As an active participant in GISB/NAESB, NiSource appreciates the opportunity to comment on the modified GISB contract and supports its development as a useful tool in an efficient competitive market. Please direct any requests for further details or questions regarding these comments to Mark Maassel (219/647-6400), M. Christopher Maturo (219/647-4205) or me (419/252-8152).

Sincerely yours,

Marilyn Specht Adusei-Poku

Marilyn Specht Adusei-Poku
Senior Attorney

cc: A. J. Sonderman
M. T. Maassel
M. C. Maturo