

MODEL  
OPERATIONAL BALANCING AGREEMENT  
BETWEEN  
**[INSERT TRANSPORTATION SERVICE PROVIDER]**  
AND  
**[INSERT INTERSTATE OR INTRASTATE PIPELINE]**<sup>1</sup>

This Agreement entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by **[insert Transportation Service Provider]** (“TSP”) and by **[insert Interstate or Intrastate Pipeline]** (“Operator”), collectively referred to as “Parties” or individually referred to as a “Party.”

WHEREAS, the facilities operated by the Parties interconnect at the Interconnection Point specified on Exhibit 1 attached hereto;

WHEREAS, Parties have entered into one or more transportation agreements with various service requestors (“Service Requestors”) whereby one or both of the Parties either receive natural gas (“gas”) which Service Requestors cause to be delivered at the Interconnection Point or deliver gas which Service Requestors cause to be received at the Interconnection Point;

---

<sup>1</sup> **[Instruction: This model agreement has been designed to conform to Proposed Rule 284.10(b)(2)(ii)(A) and the Commission’s announcement, in Order No. 587-F, 62 F.R. 61,459 (Nov. 18, 1997), that interstate pipelines are required to enter into OBAs at all interconnecting points only with other interstate and intrastate pipelines. Pursuant to the Commission’s proposed regulations, such OBAs must be maintained by the pipelines and provided upon request to the Commission and any other requesting party. This model form will also be applicable to agreements between TSPs and parties other than interstate and intrastate pipeline companies in the event operational conditions similar to those applicable to interconnections between pipelines exist and in the event the parties are similarly situated. This model form is not available for any other purpose.]**

WHEREAS, from time to time, dekatherms of gas delivered to or by a Party at the Interconnection Point are either greater than or less than the dekatherms of gas nominated by Service Requestors and confirmed and scheduled by the Parties, resulting in inadvertent over- or under-deliveries of the Service Requestors' scheduled quantities;

WHEREAS, the Parties desire to provide for the elimination of such inadvertent over- and under-deliveries by adjusting (expand) deliveries and receipts of gas at the Interconnection Point;<sup>2</sup>

NOW, THEREFORE, the Parties agree that such over- or under-deliveries of gas at the Interconnection Point shall be dealt with in the following manner:

I.  
OBA Nominations

One day prior to the first day of each month, each Party shall notify the other Party in writing, facsimile or electronic interface system of the confirmed scheduled nominations in dekatherms received by such Party from Service Requestors for whom such Party will deliver or receive gas at the Interconnection Point during that month.<sup>3</sup> On a daily basis, notification of a change or changes to such confirmed nominations shall be made orally as soon as reasonably possible by a Party to the other Party as soon as such change or changes are known. Such Party shall also by facsimile, electronic interface system or in

---

<sup>2</sup> **[Instruction: The whereas clauses should be modified, as appropriate, to reflect specific facts applicable to the transaction.]**

<sup>3</sup> **[Instruction: It is not intended that an OBA be a pre-condition to access to capacity on a pipeline system.]**

writing give such change or changes to the other Party prior to the requested day of the change in gas flow.<sup>4</sup>

II.  
General Balancing Responsibilities

A. The Parties intend that the dekatherms of gas actually delivered and received each day at the Interconnection Point will equal the confirmed scheduled nominations of the Parties. Each Party will allocate the dekatherms which are to be delivered or received by it at the Interconnection Point among its service requestors pursuant to the confirmed scheduled nominations. Any difference in quantity between the actual physical flow of gas at the Interconnection Point each day and the confirmed scheduled nominations of receipts and/or deliveries for such day is the “Operational Imbalance.”

B. Unless the Parties otherwise mutually agree in writing:<sup>5</sup>

1. Each Party shall adjust the operations of its facilities or effect mutually agreeable changes in confirmed scheduled nominations as necessary in order to keep the measured flow of gas at the Interconnection Point as nearly as possible to the confirmed scheduled nominations. It is the intent of the Parties that the cumulative Operational Imbalance shall not exceed **[insert maximum agreed-upon operational imbalance quantity is agreed upon or percent of swing or what ever other method]** dekatherms (“Maximum Imbalance Quantity”). The measuring

---

<sup>4</sup> **[Instruction: The procedures provided in Article I should be modified to reflect the Parties’ tariff requirements and particular operational requirements.]**

<sup>5</sup> **[Instruction: These provisions should be modified to reflect operational conditions at the Interconnection Point and applicable tariff and service agreement requirements, at a minimum.]**

facilities operated by a Party which measures receipts and/or deliveries at the Interconnection Point shall be a part of that Party's pipeline system for purposes of this Agreement.

2. Gas to be received by TSP at each Interconnection Point shall be delivered by Service Requestors, or their designees, at a pressure sufficient to enter TSP's pipeline at the Interconnection Point at the pressure(s) maintained in TSP's pipeline from time to time, but Service Requestors shall not deliver gas at a pressure in excess of the maximum allowable operating pressure for each such pipeline.

3. The Parties agree to cooperate with each other in the making of the adjustments required under subparagraph II.B.a.

### III.

#### Balancing Responsibilities in Event Maximum Imbalance Quantity Is Exceeded

A. If it becomes apparent to either Party that the cumulative Operational Imbalance exceeds, or is projected to exceed, the Maximum Imbalance Quantity, such Party shall immediately orally notify the other Party thereof and the Parties shall adjust, as soon as practicable thereafter, the operations of their facilities pursuant to Paragraph II.B.a. in order to keep the confirmed scheduled nominations and cumulative Operational Imbalance within the applicable variance set forth above. In the event, for any reason, the Parties cannot adjust operations of their facilities as provided in Paragraph II.B.a., the Parties shall endeavor to effect mutually agreeable changes in confirmed scheduled nominations from their Service Requestors in order to keep the

variance between the cumulative Operational Imbalance from exceeding the Maximum Imbalance Quantity.

B. In the event the Parties cannot adjust their operations as provided in Paragraph II.B.a. or effect mutually agreeable changes in confirmed scheduled nominations, the Parties shall immediately adjust the allocation of gas to Service Requestors at the Interconnection Point in accordance with Paragraph V hereof in order to keep the variance between the confirmed scheduled nominations and cumulative Operational Imbalance from exceeding the Maximum Imbalance Quantity. Parties will orally and either by facsimile or electronic interface system notify each other of such adjustment prior to making the adjustment. If the Maximum Imbalance Quantity is exceeded and the Parties failed to make the adjustments provided above, **[Instruction: Insert reference to imbalance resolution procedures of TSP’s FERC Gas Tariff, if applicable, or describe otherwise agreed-to resolution procedure, including contract suspension, in-kind settlement, cash-out procedures and incentive or penalty mechanisms.]**<sup>6</sup>

---

<sup>6</sup> **[Instruction: As is evident, this model OBA does not dictate a specific imbalance resolution procedure. Rather, this model agreement leaves the Parties free to insert in their agreement a resolution mechanism that is consistent with the Parties’ own particular operational situation. Such freedom is appropriate under GISB standards, which proscribe imposition of particular imbalance resolution procedures. (Standard 1.1.16: “Compensability of particular products or services should be determined by trading partners and/or regulatory agencies as applicable, but not by GISB.”) Such an approach is also consistent with applicable Commission precedent. The Commission has made it clear that a “cookie cutter” approach to imbalance resolution is inappropriate because it ignores the different operating conditions between interconnecting parties and the different situations at each interconnecting point. The Commission has specifically “decline[d] to prescribe specific OBA provisions, other than to require . . . that OBAs must be implemented on a non-discriminatory basis.” *Texas Gas Transmission Corp.*, 65 F.E.R.C. (continued...)]**

IV.  
Measurement

A. The actual measured quantity of gas at the Interconnection Point each month shall be determined and communicated by the measuring Party by facsimile, electronic interface system or in writing to the other Party as soon as reasonably possible after the end of the month, but in any case no later than the \_\_\_\_\_ day of the month following the last day of the month gas was delivered. The actual measured quantity shall be determined pursuant to the applicable provisions of TSP's then-effective FERC Gas Tariff. Operational Imbalances shall be calculated initially by TSP and shall be agreed to in writing by the Parties prior to the \_\_\_\_\_ day of such month. The Parties shall correct any resulting Operational Imbalance for a prior month by adjusting receipts and deliveries of gas as provided herein as soon as reasonably possible after such Operational Imbalance has been agreed to by the Parties. Deliveries of gas to correct Operational Imbalances shall be made at the Interconnection Point where the imbalance was created or at any other interconnection point(s) mutually acceptable to the Parties.

B. Any gas received and delivered to correct an Operational Imbalance shall be adjusted for variations in Btu content. Measurement of gas for all purposes hereunder shall be in accordance with the provisions set forth in TSP's then-effective FERC Gas Tariff.

V.  
Capacity Constraint

---

<sup>6</sup> (...continued)  
¶ 61,008, at 61,164 (1993). See also *Tennessee Gas Pipeline Co.*, 64 F.E.R.C. ¶ 61,020, at 61,258 (1993)].

If a capacity constraint occurs on either Party's facilities which results in interruption or curtailment of quantities of gas through or after delivery and receipt of the gas at the Interconnection Point, the Party on whose facilities the constraint has occurred shall determine the scheduled quantities of dekatherms of gas to Service Requestors on its facilities in accordance with the provisions of TSP's then-effective FERC Gas Tariff. Such Party shall promptly notify the other Party orally of the constraint and the reallocation of dekatherms of gas to its customers. Such Party shall also confirm by facsimile, electronic interface system or in writing to the other Party as soon as reasonably possible but not more than \_\_\_\_\_ hours after the occurrence of the constraint and the reallocation of dekatherms of gas. If the constraint occurs at the measuring facilities at the Interconnection Point, the Party which operates those facilities shall determine scheduled quantities of dekatherms of gas to Shippers on its Facilities in accordance with the provisions of the TSPs then effective FERC Gas Tariff.

VI.  
Term

This Agreement shall be effective as of **[Insert effective date]** and shall continue until **[Insert expiration date, with or without evergreen provision]**. Any remaining Operational Imbalance will be corrected as provided in this Agreement within \_\_\_\_\_ days after the final Operational Imbalance is calculated by TSP or within such longer period of time as may be mutually agreed to by the Parties.<sup>7</sup>

VII.  
Miscellaneous Provisions

---

<sup>7</sup> **[Instruction: Maximum flexibility is to be accorded Parties in setting term and procedures for termination.]**

A. Choice of Law. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of **[insert controlling state law]**, without recourse to the law regarding the conflict of laws.

B. Compliance with Law. This Agreement and the obligations of the Parties are subject to all present and future valid laws with respect to the subject matter and to all valid present and future orders, rules and regulations of duly constituted authorities having jurisdiction.

C. Waiver. No waiver by either Party of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any continuing or future default or defaults, whether of a like or different character, or a waiver of each of the Parties' obligation to eliminate Operational Imbalances by adjusting nominations and/or deliveries and receipts of gas at the Interconnection Point, as provided herein.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

**[Insert name of TSP]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**[Insert name of Operator]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MODEL  
OPERATIONAL BALANCING AGREEMENT  
BETWEEN  
**[INSERT TRANSPORTATION SERVICE PROVIDER]**  
AND  
**[INSERT INTERSTATE OR INTRASTATE PIPELINE]**  
POINT(S) OF INTERCONNECTION

**EXHIBIT I**

**[Identify Interconnection Point(s)]**