

**Gas Industry Standards Board  
Contracts Subcommittee  
OBA Task Force Meeting  
June 20, 1997  
FINAL MINUTES**

A follow up meeting of the OBA Task Force was held on June 20, 1997 at Valero Energy's offices in Houston. Valero's request for standard, R95003, had not been withdrawn, prompting this second meeting.

The meeting was called to order at 12:30 P.M. Martha Murphey, Valero, welcomed the group and issued the anti-trust warning. The notes from the prior meeting were reviewed. Tony Chovanec, the requester of the proposed standard, explained Valero's request to the group. Valero's request entails an OBA document with a standardized settlement of daily cash-out for minor imbalances. Tony explained since pipelines spend time and resources accounting for and reconciling minor imbalances and there is price risk associated with imbalances due to daily volatility in the marketplace that a standardized cash out settlement would alleviate these problems.

Lindy Currier, Transwestern, explained that Transwestern has had OBA's at all their interconnects for the past four years. In addition, they use "dollar valuing" to insulate them from price risk, but offer operators an option of a monthly cash out or in kind payback. Transwestern's OBA is in their tariff, but they have the ability to negotiate supplemental terms when necessary.

Laura Moseley, FGT, expressed concern over the term "minor imbalances". What constitutes a "minor imbalance"? Occasionally, Florida may experience large imbalances at pipeline interconnects on a given day due to weather, i.e. hurricanes.

Tony Chovanec agreed that definition was needed for "minor imbalances". It was not Valero's intent to use this proposed document to settle large imbalances. He acknowledged while some pipelines can handle large swings in volume, other pipelines can tolerate very little.

Since most of FGT's OBA's are settled with gas in kind, Laura Moseley questioned if operational flexibility was being limited with a mandatory cash out settlement.

Tony Chovanec indicated the document does contain language which provides for some other mutually agreeable settlement besides cash out.

John Coppens, Panhandle Eastern, stated that PEPL has OBA's at most of its interconnects. PEPL currently has no problems with their OBA's. John also made the point that there are certain parties PEPL will never enter into an OBA with. He questioned the intent of Valero's proposal. Is the intent for mandatory OBA's or for standardized settlement?

Theresa Hess, Enron, also questioned the intent of the proposal.

Tony Chovanec replied that the intent is for standardized settlement. He acknowledged that there are parties Valero will not enter into OBA's with also, so the intent is not for mandatory OBA's at all pipeline interconnects. Pipelines should not have to deal with parties who lack credibility. The Valero proposed standard would eliminate carrying an imbalance from month to month and capture daily price risk.

Laura Moseley asked if the document was intended for pipelines only or to be used with producers, LDC's, end users, etc.?

Paul Stein, ANR, indicated ANR would have a problem using the document for LDC's since ANR offers a no notice service. If LDC's on the ANR system used an OBA, they would have free swing privileges.

Tony stated the intent was for pipelines only.

Fred Cumming, Texas Eastern, asked if Valero was interested in a template OBA, along the lines of the MTPA. The document's use would not be mandatory, but merely a starting point for negotiating OBA's.

Tony's response was that some of the pipelines had concerns FERC would mandate the use of the document if it were drafted. Valero would support a template.

Paul Stein indicated ANR's OBA was almost identical to Valero's proposal, except for settlement. ANR settlement is gas in kind.

Lindy Currier stated some intrastate pipelines connected to Transwestern do not like a cash out settlement. Their concern is that "cash out" provisions may be construed as buying interstate gas for an intrastate pipeline. Lindy proposed not cashing out the intrastate pipelines, but use "dollar valuing" of the imbalance to counteract price risk.

Theresa Hess again raised the question of the intent of Valero's proposal. If the true intent is to provide for a mandatory cash out settlement, then per GISB principle 1.1.16, compensability issues cannot be decided by GISB. Therefore, the proposal is out of scope.

Laura Moseley agreed with Theresa.

Lanyard Sledge, Tennessee, stated there are really two issues here, the goal of an OBA and cash out. An OBA is used to protect a pipeline and insulate shippers from imbalances. While Tennessee has OBA's at most all of their delivery points, they have trouble on the receipt side. Tennessee supports use of OBA's at all points because they insulate shippers from imbalances, thus increasing transport across the grid. However, the cash out issue, i.e. how you value gas, should be determined by each individual pipeline.

A final question was then posed by Valero to Theresa Hess: since cash out settlement is a compensability issue outside the scope of GISB, should Valero withdraw its request? Theresa responded that she could not make any business decisions for Valero, but the request could be withdrawn. Tony responded that Valero will probably withdraw the request if compensability is out of GISB scope. He needed to meet with upper management before proceeding.

Martha Murphey will follow up with the group as to Valero management's decision. The meeting was adjourned about 2:00 P.M.

**List of attendees:**

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