RECOMMENDATION TO GISB EXECUTIVE COMMITTEE

Requester: Exxon Company, USA   Request No.: C97009

1. Recommended Action:

| | **Effect of EC Vote to Accept Recommended Action:** |

___Accept as requested   X_ Change to Existing Practice
 X_ Accept as modified below   ___Status Quo
___Decline

2. TYPE OF MAINTENANCE

Per Request: **Per Recommendation:**

___Initiation   ___Initiation
___Modification   X_ Modification
 X_ Interpretation   ___Interpretation
___Withdrawal   ___Withdrawal

___Principle (x.1.z)   ___Principle (x.1.z)
___Definition (x.2.z)   ___Definition (x.2.z)
___Business Practice Standard (x.3.z)   ___Business Practice Standard (x.3.z)
___Document (x.4.z)   ___Document (x.4.z)
___Data Element (x.4.z)   ___Data Element (x.4.z)
___Code Value (x.4.z)   X_ Code Value (x.4.z)
___X12 Implementation Guide   ___X12 Implementation Guide
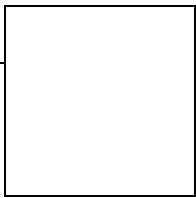___Business Process Documentation   X_ Business Process Documentation

3. RECOMMENDATION

CODE VALUES LOG (for addition, modification or deletion of code values)

Document Name and No.:   Pre-determined Allocation, 2.4.1

Business Name	Usage	Code Value	Code Value Description	Code Value Definition
Allocation Method	M	RK	Ranked	*The quantity to be allocated utilizing this methodology is allocated by taking the individual line item transactions which are allocated based on ranks identified for the transaction(s), with the transaction(s) with the lowest rank value allocated before the next sequentially higher ranked transaction(s).*
		PR	Pro Rata	*The total quantity to be allocated is multiplied by the ratio established by taking each individual scheduled line item and dividing it by the total of all scheduled line items applicable to the quantity to be allocated.*
		PC	Percentage	*The allocation is derived by taking the total quantity to be allocated at a location and multiplying it by the percentage(s) provided. When percentage is the only methodology provided the percentages should total 100.*

		SG	Swing	*One or more of the scheduled line items, or alternatively a separate contract, is designated as the "swing". All other scheduled line items are allocated the scheduled quantity. The line item(s) identified as "swing" are allocated the remaining difference between total quantity to be allocated and quantities allocated to non-swing line items, in accordance with instructions provided with the PDA. If the swing line items(s)/contract(s) are not permitted to be allocated a quantity which would result in a negative number, the negative quantity is allocated to the remaining scheduled line items.*

BUSINESS PROCESS DOCUMENTATION (for addition, modification or deletion of business process documentation language)

Standards Book: Flowing Gas Related Standards, Technical Implementation of Business Process description for Pre-determined Allocation (2.4.1)

Language:
[See attached revisions to the Technical Implementation of Business Process for the Pre-determined Allocation (2.4.1).]

TECHNICAL CHANGE LOG (all instructions to accomplish the recommendation)

Document Name and No.:

Description of Change:
No Technical Changes Needed.

4. SUPPORTING DOCUMENTATION

a. Description of Request:

Request for Clarification or Interpretation: Standard 2.3.16 states "List of allocation methodologies agreed upon: Ranked, Pro Rata, Percentage, and Swing."

So that these methodologies can be implemented on a consistent basis, GISB should clarify the application of each of these methodologies (similar to what was done in the Interpretation C96020 for the Capacity Release Bid Evaluation Methodologies in Standard 5.3.3).

b. Description of Recommendation:

Interpretation Subcommittee (June 20, 1997)

Discussion:
Greg Lander noted a conversation with Joe Kardas where Joe Kardas recommended that this either go to the Business Practices Subcommittee or to the Definitions Task Force of the Business Practices Subcommittee. Norm Walker supported transferral to the Business Practices Subcommittee.

Joyce Phillips noted that the interpretation is more than just a definition and it is more appropriate to be transferred to the Business Practices Subcommittee or Information Requirements Subcommittee. Norm Walker noted that if the Definition Task Force were to list all definitions, it would be appropriate for the Definition Task Force otherwise it should go to Business Practices Subcommittee. Cindy Battiste noted that the request was more specific to the implementation of these definitions rather than the definitions themselves. Greg Lander disagreed that the mission of the Definition Task Force would be to define all possible definitions for a term; rather, it was to prescribe a GISB definition for the terms addressed.

Action:
Greg Lander made the motion to transfer to Business Practices Subcommittee who would inform the Interpretations Subcommittee of its results. The Business Practices Subcommittee would be responsible for ultimately getting the disposition to the EC. It was seconded by Norm Walker.

Discussion:
Bob Wallenhorst stated his opinion that this request belongs in Interpretations Subcommittee. Betty Barnum noted that this is a larger issue of business practices. The vote was taken on the action and was inconclusive and a notational vote would be taken.

[NOTE: The voting results listed below were posted as an attachment to the July 11, 1997 Interpretation Subcommittee minutes.]

Committee Member	Company	Method of Voting	C97009
Greg Lander	TransCapacity	present at June 20 meeting	in favor
Kristine Mespelli	New England Power	present at June 20 meeting	opposed
Bob Wallenhorst	Exxon	present at June 20 meeting	opposed
Norm Walker	El Paso Natural Gas	present at June 20 meeting	in favor
Tom Ehinger	Amoco	present at June 20 meeting	opposed
Laverne Tillson	Defense Fuel Supply	unavailable - no vote cast	

Mike Bray	Duke Energy	notational vote	in favor
Mark Scheel	NGC Corp	notational vote	opposed
Bill Boswell	Peoples Natural Gas	notational vote	in favor
Kirt Kleinman	Southwest Gas	notational vote	in favor

Business Practices Subcommittee

Discussion:

Mr. Wallenhorst explained the request was for a definition of the four methodologies, Ranked, Pro Rata, Percentage, and Swing. There were three workpapers which had been posted to aid in defining these terms.

Motion 1:

A motion was made to define "Ranked" as follows:

> *Ranked - The quantity to be allocated utilizing this methodology is allocated by taking the individual line item transactions which are allocated based on ranks identified for the transaction(s), with the transaction(s) with the lowest rank value allocated before the next sequentially higher ranked transaction(s).*

Mr. Beaver offered an illustration showing how the swing and pro rata methodologies could obtain the same results using ranking. This suggestion was discussed and it was determined that different results could be obtained using each of these methodologies. Mr. La Tour noted there were instances where individual line items are allowed to have the same rank which effectively creates a pro rata allocation inside ranking.

Sense of the Room: February 19, 1998   19 In Favor   0 Opposed   1 Abstained
Segment Check (if applicable):

| In Favor: | End-Users | LDCs | Pipelines | Producers | Services |
| Opposed: | End-Users | LDCs | Pipelines | Producers | Services |

A review of standard 2.3.16 was made and it was determined that no changes were needed to be made to it.

Motion 2:

The motion was made to define "Pro rata".

> *Pro rata - The total quantity to be allocated is multiplied by the ratio established by taking each individual scheduled line item and dividing it by the total of all scheduled line items applicable to the quantity to be allocated.*

Sense of the Room: February 19, 1998   15 In Favor   7 Opposed   0 Abstained
Segment Check (if applicable):

| In Favor: | End-Users | LDCs | Pipelines | Producers | Services |
| Opposed: | End-Users | LDCs | Pipelines | Producers | Services |

Motion 3:

A motion was made to define "Percentage" as:

> *Percentage - The allocation is derived by taking the total quantity to be allocated at a location and multiplying it by the percentage(s) provided.*

Mr. Novak suggested there may be a need to add a sentence stating the percentage must add to 100% and that a TSP has a right to reject if it does not add up to 100%. Ms. Phillips stated she preferred to not add language regarding implementation and Mr. Novak agreed. Mr. Hahn noted that the standards should be clear for use in the industry. The motion was amended to add the following sentence at the end: "When percentage is the only methodology provided the percentages should total 100". An amended motion was made to:

> *Percentage - The allocation is derived by taking the total quantity to be allocated at a location and multiplying it by the percentage(s) provided. When percentage is the only methodology provided the percentages should total 100.*

Sense of the Room: February 19, 1998   _20_ In Favor   _0_ Opposed   _2_ Abstained

Segment Check (if applicable):

In Favor :	___End-Users	___LDCs	___Pipelines	___Producers	___Services
Opposed:	___End-Users	___LDCs	___Pipelines	___Producers	___Services

Motion 4:

A motion was made to define "Swing" as:

> *Swing - One or more of the scheduled line items, or alternatively a separate contract, is designated as the "swing". All other scheduled line items are allocated the scheduled quantity. The line item(s) identified as "swing" are allocated the remaining difference between total quantity to be allocated and quantities allocated to non-swing line items, in accordance with instructions provided with the PDA.*

Mr. Young stated there was a need to address whether a swing could be allocated a negative. Ms. Mosley noted there are pipelines that do swing negatives so she would not be able to support anything that prohibited this practice. An amendment was offered to add the following sentence at the end: "If the swing line items(s)/contract(s) are not permitted to be allocated a quantity which would result in a negative number the negative quantity is allocated to the remaining scheduled line items". Ms. Phillips clarified that this concept was implied by the phrase "in accordance with the PDA instructions" and did not feel the addition was necessary. Ms. Hess asked that while it was not necessary would it hurt if it was included. This amendment was not accepted by the maker of the motion.

Mr. Wallenhorst asked how those that do not allocate negative number defined the term swing. Mr. Hahn inquired as to the value to allow swings to be allocated a negative quantity. Ms Davis explained that a type of a swing contract at a citygate might be a bundled storage service where a negative swing would result in an injection into the bundled storage service. Mr. Hopper noted that if you have one definition for swing with no negatives and swing where you do have negatives there may be two different swings. An amendment to the language was offered: "One or more of the scheduled line items, or alternately a separate contract, is designated as the swing. The non swing line items are allocated quantities in accordance with the instructions provided in the PDA with the remaining quantities, if any exist, allocated to the swing contract". This amendment was not accepted by the maker of the motion. Ms. Hess offered that you do not get the same results with the swing and rank methodologies and that the details are provided in the PDA instructions.

Sense of the Room: February 19, 1998   _11_ In Favor   _11_ Opposed   _0_ Abstained

Segment Check (if applicable):

In Favor :	___End-Users	___LDCs	___Pipelines	___Producers	___Services
Opposed:	___End-Users	___LDCs	___Pipelines	___Producers	___Services

Motion 5:

A motion was then made to define "Swing" as:

> ***Swing -*** *One or more of the scheduled line items, or alternatively a separate contract, is designated as the "swing". All other scheduled line items are allocated the scheduled quantity. The line item(s) identified as "swing" are allocated the remaining difference between total quantity to be allocated and quantities allocated to non-swing line items, in accordance with instructions provided with the PDA. If the swing line items(s)/contract(s) are not permitted to be allocated a quantity which would result in a negative number, the negative quantity is allocated to the remaining scheduled line items.*

Sense of the Room: February 19, 1998   17 In Favor   4 Opposed   1 Abstained
Segment Check (if applicable):

	End-Users	LDCs	Pipelines	Producers	Services
In Favor :	0 End-Users	2 LDCs	14 Pipelines	0 Producers	1 Services
Opposed:	0 End-Users	0 LDCs	1 Pipelines	1 Producers	2 Services
Abstained:	0 End-Users	0 LDCs	1 Pipelines	0 Producers	0 Services

Motion 6:

A motion was made to add "(positive or negative)" after the word "remaining" in the definition for Swing.

Sense of the Room: February 19, 1998   6 In Favor   7 Opposed   6 Abstained
Segment Check (if applicable):

	End-Users	LDCs	Pipelines	Producers	Services
In Favor :	End-Users	LDCs	Pipelines	Producers	Services
Opposed:	End-Users	LDCs	Pipelines	Producers	Services

Standards 2.3.3, 2.3.4, 2.3.6, 2.3.6, 2.3.16, 2.3.17, 2.3.18 and 2.3.20 were reviewed for conforming changes and it was found that no additional changes were needed.

Information Requirements Subcommittee

MOTION:

Technical Implementation of Business Process for PDA: See attached for additional revisions.

Revision/addition to new third paragraph added as part of R96034: Strike first part of second sentence (up to the colon) and replace with the following: "The definitions are as follows:" And add the definitions for the existing allocation methodologies per the BPS minutes.

Definitions for the Allocation Method code value descriptions:

Description: Ranked
Definition: The quantity to be allocated utilizing this methodology is allocated by taking the individual line item transactions which are allocated based on ranks identified for the transaction(s), with the transaction(s) with the lowest rank value allocated before the next sequentially higher ranked transaction(s).

Description: Pro Rata
Definition: The total quantity to be allocated is multiplied by the ratio established by taking each individual scheduled line item and dividing it by the total of all scheduled line items applicable to the quantity to be allocated.

Description: Percentage
Definition: The allocation is derived by taking the total quantity to be allocated at a location and multiplying it by the percentage(s) provided. When percentage is the only methodology provided the percentages should total 100.

Description: Swing
Definition: One or more of the scheduled line items, or alternatively a separate contract, is designated as the "swing". All other scheduled line items are allocated the scheduled quantity. The line item(s) identified as "swing" are allocated the remaining difference between total quantity to be allocated and quantities allocated to non-swing line items, in accordance with instructions provided with the PDA. If the swing line items(s)/contract(s) are not permitted to be allocated a quantity which would result in a negative number, the negative quantity is allocated to the remaining scheduled line items.

Sense of the Room: April 15, 1998   12 In Favor   0 Opposed
Segment Check (if applicable):
In Favor :   End-Users   LDCs   Pipelines   Producers   Services
Opposed :   End-Users   LDCs   Pipelines   Producers   Services

Technical Subcommittee

Sense of the Room: April 30, 1998   5 In Favor   0 Opposed
Segment Check (if applicable):
In Favor :   End-Users   LDCs   Pipelines   Producers   Services
Opposed :   End-Users   LDCs   Pipelines   Producers   Services

c. Business Purpose:

So that these methodologies can be implemented on a consistent basis, GISB should clarify the application of each of these methodologies (similar to what was done in the Interpretation C96020 for the Capacity Release Bid Evaluation Methodologies in Standard 5.3.3).

d. Commentary/Rationale of Subcommittee(s)/Task Force(s):

IR implemented per BPS recommendation.

TECHNICAL IMPLEMENTATION OF BUSINESS PROCESS

Natural Gas is allocated among producers, operators, transporters, shippers, and others after gas flows, using various methodologies to allocate actual quantities. In order to manage the impact of actual quantities variance from scheduled quantities, the specification of the method to be used in allocating actual quantities prior to gas flow is imperative. A Pre-determined Allocation methodology (PDA) will be utilized to accomplish this goal, by securing agreement of the allocating and the allocated parties as to the method to be used for computing the allocation, i.e. relating scheduled quantities to actual physical flow. The implementation of an agreed-upon PDA clarifies all parties' expectations and responsibilities prior to gas flow.

The PDA document can be provided by the shipper, producer, operator or their agent, for their appropriate allocation level, to the Transportation Service Provider prior to the flow of gas. The PDA is due after or during confirmation and before the start of the gas day. Often, the PDA is submitted at the same time as the nomination. In some cases, the nomination may change independent of the PDA and the PDA is sent separate from the nomination. The PDA method and values sent to the Transportation Service Provider stand until changed, in spite of changes to the nomination.

The list of allocation methodology types from which two parties may agree is Ranked, Pro Rata, Percentage, Swing and Operator Provided Value. The definitions are as follows: of

- Ranked: The quantity to be allocated utilizing this methodology is allocated by taking the individual line item transactions which are allocated based on ranks identified for the transaction(s), with the transaction(s) with the lowest rank value allocated before the next sequentially higher ranked transaction(s).

- Pro Rata: The total quantity to be allocated is multiplied by the ratio established by taking each individual scheduled line item and dividing it by the total of all scheduled line items applicable to the quantity to be allocated.

- Percentage: The allocation is derived by taking the total quantity to be allocated at a location and multiplying it by the percentage(s) provided. When percentage is the only methodology provided the percentages should total 100.

- Swing: One or more of the scheduled line items, or alternatively a separate contract, is designated as the "swing". All other scheduled line items are allocated the scheduled quantity. The line item(s) identified as "swing" are allocated the remaining difference between total quantity to be allocated and quantities allocated to non-swing line items, in accordance with instructions provided with the PDA. If the swing line items(s)/contract(s) are not permitted to be allocated a quantity which would result in a negative number, the negative quantity is allocated to the remaining scheduled line items.

- Operator Provided Value is: A mutually agreed upon allocation methodology that indicates that the operator will provide a quantity for the subject transaction(s) for use in the allocation.

The PDA document tells the Transportation Service Provider not only what allocation method is chosen, but also communicates any parameters needed with the allocation method. For

example, the PDA might specify that the allocation method is "ranked" and that the rank level is '80.'

When the **allocation method** is Ranked, Swing, Percentage or Operator Provided Value, additional parameters (such as the **allocation rank level**) may be needed in order to create a valid PDA. If all elements are not submitted at the same time, the PDA is not valid and will not be accepted; the measured volumes will be allocated using the Pro Rata default methodology. When allowed, the **Allocation rank indicator** can be used, if agreed upon by both parties, to set up different methodologies to handle over- or under-production situations. **Limit value** can be used, if allowed by the Transportation Service Provider, to limit the variance volume applied to a transaction.

The beginning flow date/time and ending flow date/time are required and cannot reflect a time period shorter than the time periods for the corresponding nomination records.

Allocation method, allocation rank level, allocation rank indicator and **limit value** are all applicable regardless of the level of allocations supported by the Transportation Service Provider (i.e. single-level or multi-level). For a single-level allocation, the PDA statement is submitted by the meter operator or his agent and reflects the allocation instructions for the total measured volume down to the service requester level. For multi-level allocations, each party submits the allocation instructions for only their business transactions; the operator is the only party who will submit a PDA for the total measured volume, but it will be at a summarized level, rather than down to a detailed service requester level.

SAMPLE PAPER TRANSACTION

[Header]
Contact Person: Sam Houston @ 713-555-1212
Statement Date: 03/14/96
Statement Recipient: XYZ Allocation Service (99999999)
Preparer: ABC Oil & Gas (11111111)

_____

[Detail]
Beginning Flow Date: 03/15/96
Beginning Flow Time:09:00 AM
Ending Flow Date: 04/16/96
Ending Flow Time: 09:00 AM
Direction of Flow: Delivered to pipeline
Location: 421331122   Mustang Island A-101

_____

[Sub-Detail]
Allocation Method: Ranked
Allocation Rank Indicator: High
Allocation Rank Level: 80

Limit value: 100,000
Package ID: 101-Randy
Svc Provider Activity Cd: 002134   002135
Svc Requester Contract: 0.7875
Upstream Contract id: T-1882
Upstream Party: 144326791   Alpha Producing