

**AN UPDATE ON GISB STANDARDS IMPLEMENTATION:**

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**INTRODUCTION**

GOOD MORNING. IT'S A PLEASURE TO BE BACK IN SAN ANTONIO AND HAVE THE OPPORTUNITY TO SHARE WITH YOU SOME THOUGHTS ABOUT HOW GISB IS DOING FROM THE PERSPECTIVE OF COLUMBIA'S LOCAL DISTRIBUTION COMPANIES. YOU KNOW, THIS IS BECOMING A PLEASANT HABIT FOR ME--LAST YEAR I CAME TO SAN ANTONIO FROM PARADISE IN HAWAII WHERE MY WIFE AND I CELEBRATED OUR 25TH WEDDING ANNIVERSARY. THIS YEAR, I CAME HERE FROM *BASEBALL* PARADISE IN ST. LOUIS--MY WIFE AND I WITNESSED MARK MCGWIRE'S LAST 5 HOME RUNS OVER THE WEEKEND. SO COMING TO SAN ANTONIO AND ADDRESSING THIS MEETING IS ASSOCIATED WITH GOOD THINGS FOR ME PERSONALLY. PROFESSIONALLY, SERVICE ON THE GISB BOARD OF DIRECTORS HAS BEEN SATISFYING AS WELL. AS TERRY CILISKE RECOUNTED GISB'S ACCOMPLISHMENTS YESTERDAY, I COULD NOT HELP BUT FEEL A SENSE OF PRIDE IN WHAT THIS DIVERSE GROUP OF INDUSTRY PROFESSIONALS HAS

BEEN ABLE TO ACCOMPLISH, IN RELATIVELY LITTLE TIME, WITH MAJOR IMPACT ON HOW OUR BUSINESS IS BEING TRANSACTED.

**GISB** REMINDS ME OF "THE LITTLE ENGINE THAT COULD" -- CHUGGING ALONG FUELED PRIMARILY BY DETERMINATION, **GISB** HAS BEEN REMARKABLY SUCCESSFUL DESPITE ITS LIMITED RESOURCES AND RELIANCE ON VOLUNTEERS. **GISB'S** "I THINKS I CAN" ATTITUDE HAS YIELDED IMPORTANT CONTRIBUTIONS TO THE NEW COMPETITIVE GAS INDUSTRY--AND WILL CONTINUE TO DO SO. I THINK WE SHOULD RECOGNIZE, THOUGH, THAT AS **MIKE BRAY** ILLUSTRATED YESTERDAY THE **GISB** ENGINE IS STRAINING TO PULL ITS ALREADY HEAVY LOAD AND WE DON'T WANT TO SEE IT DERAIL.

THIS VERY MORNING, **FERC** IS ADDRESSING ON REHEARING WHETHER TO REQUIRE PIPELINES TO MOVE FROM THEIR PROPRIETARY **EBBs** TO THE INTERNET -- AND REQUIRE THEM TO IMPLEMENT **EDI** -- BY JUNE 1, 1999. IN SO MANY AREAS OF BUSINESS, THE INTERNET IS PROVING TO BE A MARVELOUS TOOL . I'M SURE **PRESIDENT CLINTON** WOULD AGREE. IT SEEMS PROBABLE THAT FULLY INTERACTIVE WEB SITES CAN AND MAY PROVIDE A SUITABLY CUSTOMER-FRIENDLY MEDIUM FOR COMMUNICATING WITH TRANSPORTERS WITHOUT REQUIRING THAT INTERACTION TO OCCUR THROUGH THE USE OF **EDI**. AS **MIKE** ACKNOWLEDGED YESTERDAY, IF

FERC MAINTAINS ITS REQUIREMENT FOR EDI AND THE JUNE 1999 IMPLEMENTATION DATE, ALL GISB'S RESOURCES WILL HAVE TO BE TRAINED ON BECOMING EDI-READY AND NOT ON DEVELOPING IMPROVED INTERACTIVE WEBSITE TRANSACTIONS. I IMAGINE OTHER LARGE SHIPPERS, LIKE COLUMBIA'S DISTRIBUTION COMPANIES, ARE ENGAGED IN DEVELOPING NEW GAS TRANSPORTATION SYSTEMS THAT WILL PROVIDE THE EDI CAPABILITY. HOWEVER, THE EXPENSE OF THE SPECIAL SYSTEMS, OR THIRD PARTY SERVICES THAT SMALLER SHIPPERS WILL HAVE TO RETAIN IN ORDER TO DO EDI MAY WELL NOT BE WORTH IT, COMPARED TO THE VALUE OF TRANSACTIONAL INTERACTIVITY ON THE INTERNET IN REAL TIME. ANECDOTAL EVIDENCE FROM POTENTIAL THIRD PARTY VENDORS HAS INDICATED CONSIDERABLE DIFFICULTY IN MAINTAINING CONSISTENTLY RELIABLE EDI TRANSFERS. REGARDLESS OF THE OUTCOME OF THE REHEARING, FERC'S ORDER NO. 587 DIRECTED CONSIDERABLE INQUIRIES--AND MUCH WORK-- TOWARD GISB INCLUDING THE COMMON "LOOK AND FEEL" OF INTERNET SITES AND DEVELOPING ADDITIONAL EDI STANDARDS.

TODAY, LDCs CONSTITUTE ONE OF THE LARGEST GISB SEGMENTS, ALTHOUGH A LARGER NUMBER OF THE COUNTRY'S LDCs EITHER NEVER

JOINED GISB OR HAVE DECLINED TO RENEW THEIR GISB MEMBERSHIP. I'M TOLD AT SOME COMMITTEE AND TASK FORCE MEETINGS, IT IS NOT UNUSUAL TO HAVE ONLY ONE OR TWO LDC REPRESENTATIVES, OFTEN ONE OF THEM A TRADE ASSOCIATION REPRESENTATIVE. THERE ARE SOME PRACTICAL REASONS, THOUGH, WHY THERE IS SO SURPRISINGLY LITTLE ACTIVE LDC PARTICIPATION. IN A NUTSHELL, GISB MEETINGS ARE TOO COSTLY AND TIME- AND LABOR-INTENSIVE TO BE A TOP PRIORITY FOR LDCS THAT ONLY ACCESS ONE OR TWO PIPELINES.

BUT, I BELIEVE THAT AS COMPETITION CHANGES THE LDC'S ROLE IN THE GAS INDUSTRY THE LDCS' OUTLOOK ON PARTICIPATION IN GISB WILL CHANGE AS WELL.

LAST YEAR, I CHARACTERIZED GISB'S WORK IN THE AREAS OF MODEL CONTRACTS AND CAPACITY RELEASE TRANSACTIONS AS BEING OF THE GREATEST VALUE TO LDCS. THAT WORK HAS INDEED FACILITATED THE DEVELOPMENT OF EFFECTIVE UNBUNDLING RETAIL PROGRAMS FOR THE COLUMBIA COMPANIES. GISB ESTABLISHED THE CAPACITY RELEASE DATASETS AND FACILITATED CERTAIN BUSINESS PRACTICES SUCH AS THE UNIFORM TIMEFRAME FOR TRANSACTIONS ACROSS UP- AND DOWNSTREAM PIPELINES. MODEL CONTRACTS FOR SHORT-TERM GAS SALES AND

PURCHASES, TRADING PARTNER AGREEMENTS AND NOW INTRA-DAY TRADES PROVIDE A GOOD BASIS FOR FREQUENT TRANSACTIONS, EASING SOMEWHAT THE ADMINISTRATIVE BURDEN ON OUR GAS SUPPLY AND TRANSPORTATION COORDINATORS. THE MODEL AGREEMENTS HAVE NOT ELIMINATED COMPLETELY VARIANCES IN CONTRACTS, BUT TAKEN TOGETHER, THE VARIOUS GISB CONTRACTUAL STANDARDS ALLOW GAS MANAGEMENT TEAMS TO FOCUS ON OUR TOP PRIORITY TODAY OF ENSURING THE SUCCESS OF UNBUNDLING AT THE RETAIL LEVEL.

COLUMBIA'S DISTRIBUTION COMPANIES ARE LEADING THE REVOLUTION TO BRING COMPETITION AND CHOICE® TO RETAIL GAS CONSUMERS AT THE BURNER TIP. INTERESTINGLY, WITHIN THE COLUMBIA DISTRIBUTION GROUP IS A GRAPHIC DEMONSTRATION OF THE ASYMETRICAL DEVELOPMENT OF RETAIL TRANSPORTATION PROGRAMS IN DIFFERENT STATES THAT MAKES EACH UNIQUE. MANY ASPECTS OF THE UNBUNDLING PROGRAMS FUNDAMENTALLY DIFFER STATE BY STATE, INCLUDING THE TIMING AND GEOGRAPHICAL SCOPE OF UNBUNDLING, THE CRITERIA FOR CUSTOMER AND MARKETER PARTICIPATION, WHETHER CAPACITY ASSIGNMENT TO PARTICIPATING CUSTOMERS IS MANDATORY OR VOLUNTARY, AND HOW DAILY BALANCING IS HANDLED, JUST TO NOTE A FEW. THESE VARIATIONS REFLECT THE VARYING CIRCUMSTANCES OF INDIVIDUAL

COMPANIES, THEIR CUSTOMERS AND THE WIDE VARIETY OF CONTROLLING STATE AND LOCAL POLICIES AND REGULATIONS. AND AT THIS POINT IN TIME I BELIEVE THAT SUCH VARIATIONS AMONG STATES AND COMPANIES ARE NECESSARY AND APPROPRIATE.

AS MANY OF YOU KNOW, AS OF LAST MONTH, ALL OF COLUMBIA GAS OF OHIO'S MORE THAN 1.2 MILLION CUSTOMERS CAN PURCHASE THEIR GAS SUPPLIES FROM ANY OF MORE THAN 30 QUALIFIED MARKETERS. FULL UNBUNDLING EVOLVED FROM A PILOT PROGRAM IN THE TOLEDO AREA AND THE INPUT OF A 30-PLUS MEMBER COLLABORATIVE. OUR EXPERIENCE DEMONSTRATED THAT INFORMATION TECHNOLOGY IS A CRITICAL COMPONENT OF EFFECTIVE UNBUNDLING. COH INCURRED CLOSE TO \$1,000,000 IN COSTS RELATED TO PROGRAMMING CHANGES AND EXPANDED ELECTRONIC COMMUNICATIONS REQUIRED TO ACCOMMODATE THE BURGEONING NUMBERS OF SHIPPERS AND PARTICIPATING MARKETERS. ELECTRONIC COMMUNICATION HAS BECOME THE BEDROCK FOR EFFECTIVE ADMINISTRATION OF THE PROGRAM, INCLUDING NOT ONLY NOMINATIONS AND CONTRACTING, BUT A DEDICATED INTERNET WEB SITE AND ELECTRONIC NEWSLETTERS TO MARKETERS. NOT ALL THE PROGRAMMING CHANGES MOVED US CLOSER TO GISB STANDARDS, BUT OUR PRIMARY

CONSIDERATION HAD TO BE TO MAKE OUR UNBUNDLING PROGRAM WORKABLE FOR, AND BASED UPON THE INPUT OF, THE MYRIAD PARTIES IN INTEREST THAT MAKE UP THE OHIO COLLABORATIVE THAT DEVELOPED THE PROGRAM. AS A SIDE NOTE, THE RESPONSE FROM CUSTOMERS HAS BEEN UP TO OUR MOST OPTIMISTIC PROJECTIONS. IN SEPTEMBER THE NUMBER OF PARTICIPATING CUSTOMERS GREW FROM 65,000 TO OVER 120,000--IN ADDITION TO 33,000 PAYMENT-TROUBLED CUSTOMERS PARTICIPATING IN A STATEWIDE POOL SERVED BY A SINGLE MARKETER PURSUANT TO COMPETITIVE BID. THE EXPANDING CUSTOMER CHOICE PROGRAMS IN COLUMBIA'S PENNSYLVANIA, MARYLAND AND VIRGINIA COMPANIES FACE DIFFERENT COMMUNICATION NEEDS BECAUSE THE UNBUNDLING PROGRAMS IN THOSE STATES HAVE VERY DIFFERENT TERMS AND CONDITIONS.

SOME STATE LEGISLATIVE UNBUNDLING PROPOSALS WOULD MANDATE EBBs. BUT, I CONTINUE TO BELIEVE THAT LDCs WILL LEARN A LESSON FROM THE EXPERIENCE OF THE PIPELINES AND STEER CLEAR OF ESTABLISHING HUNDREDS OF INDIVIDUAL SYSTEMS. FOR MOST LDCs, CREATING A PROPRIETARY EBB IS NOT FEASIBLE FROM A COST OR PERSONNEL STANDPOINT, NOR IS IT ATTRACTIVE TO OUR CUSTOMERS, IN

THIS CASE THE MARKETERS. THUS, UNBUNDLED LDCs SHOULD BE A HEALTHY MARKET FOR THIRD-PARTY SERVICE PROVIDERS.

SOME MARKETERS PARTICIPATING IN MULTIPLE UNBUNDLING PROGRAMS WOULD LIKE TO SEE MORE UNIFORMITY AMONG STATE PROGRAMS. BUT, NO MATTER HOW SYMPATHETIC GISB MAY BE, TRYING TO STANDARDIZE THE TERMS OF STATE-REGULATED UTILITY SERVICES WOULD GO WELL BEYOND GISB'S SCOPE. EVEN TO UNDERTAKE AN INVESTIGATION OF POSSIBLE MEANS TO STANDARDIZE THESE PROGRAMS WOULD BE OUTSIDE OUR SCOPE--NOT TO MENTION BEING EXTREMELY LABOR-INTENSIVE AND TIME-CONSUMING FOR OUR ORGANIZATION AT A CRITICAL TIME WHEN OUR PRIORITIES MUST BE ELSEWHERE--AS EARLIER DESCRIBED.

IN FACT, WITH ALL THE OTHER THINGS GISB HAS ON ITS PLATE, I BELIEVE GISB WOULD BE OVEREXTENDING ITSELF TO TRY AND CREATE ANY STANDARDS SPECIFICALLY FOR OPERATIONS BEHIND THE CITY-GATE. I'M NOT SURE WHETHER SUCH STANDARDS WOULD EVER BE APPROPRIATE--GIVEN OUR CURRENT FEDERAL/STATE CONCEPT OF GAS REGULATION--OR BENEFICIAL, BUT CLEARLY THE TIME IS NOT YET RIGHT. RETAIL UNBUNDLING, WITH ITS INDIVIDUAL RESIDENTIAL AND SMALL COMMERCIAL

CUSTOMERS AND ENDLESS COMBINATIONS OF GROUPS AND POOLS OF CUSTOMERS DOES NOT LEND ITSELF TO MANY OF THE STANDARDS ALREADY DEVELOPED BY GISB. COLUMBIA'S DISTRIBUTION COMPANIES HAVE APPRECIATED THROUGHOUT THE GISB PROCESS THAT WE COULD BE CONSIDERED TRANSPORTATION SERVICE PROVIDERS (TSP) AS DEFINED FOR GISB STANDARDS. NEVERTHELESS, THE FACT IS INESCAPABLE THAT THE GISB PROCESS HAS ALWAYS FOCUSED ON INTERSTATE PIPELINES AND FERC--AND PROPERLY SO. PRIMARILY LDC-OPERATIONS ISSUES RECEIVE LITTLE ATTENTION AND FEW OF THE APPROPRIATE LDC OR STATE COMMISSION PERSONNEL ARE ACTIVELY INVOLVED IN THE PROCESS. TO DATE, THERE HAS BEEN NO COMPREHENSIVE REVIEW OF WHETHER GISB'S EXISTING STANDARDS SHOULD -- OR EVEN COULD -- APPLY TO LDC BUSINESS PRACTICES.

TO THE EXTENT THAT OUR COMPANIES HAVE REVIEWED GISB STANDARDS IN THE CONTEXT OF POTENTIAL APPLICATION TO OUR CUSTOMERS, WE FOUND NUMEROUS INCONSISTENCIES BETWEEN CURRENT LDC BUSINESS PRACTICES AND THE GISB STANDARDS AND DATASETS. FOR EXAMPLE:

(1) LDCs CANNOT REALISTICALLY USE THE DUNS NUMBERS FOR END-USERS OR SCHEDULING POINTS THAT GISB ADOPTED, SINCE COH'S 1.2 MILLION CUSTOMERS OBVIOUSLY DO NOT HAVE DUNS NUMBERS. NOR ARE THERE PI GRID CODES FOR SCHEDULING POINTS ON LDC SYSTEMS.

(2) IT WOULD NOT BE REASONABLE, OR EVEN HELPFUL, TO MAKE LDCs LIST EACH OF THEIR CUSTOMERS ON AN INTERNET SITE, AS GISB STANDARDS REQUIRE.

(3) COLUMBIA'S LDCs DO NOT OPERATE FULLY ON THE STANDARDIZED GAS MEASUREMENT UNIT OF DEKATHERMS PER DAY AND WOULD NEED A SYSTEM FOR POSTING CONVERSION FACTORS EACH BID WEEK IN BTU THAT WILL CONVERT TO MCFS FOR NOMINATIONS.

(4) OUR LDCs' INVOICING TRANSACTIONS MAY REQUIRE ADDING SEVERAL NEW DATA ELEMENTS TO THE RELEVANT GISB DATASET.

(5) OUR LDC IMBALANCE REPORTS MAY REQUIRE AN ADDITIONAL 5 DATA ELEMENTS FOR GAS BANKING SERVICES.

(6) ALLOCATION STATEMENTS ARE EXPECTED TO REQUIRE 8 NEW ELEMENTS AT THE METER LEVEL TO REFLECT OUR USE OF NOMINATION GROUPS AND OTHER DIFFERENCES.

(7) THERE ARE NO GISB DATASETS THAT ACCOUNT FOR ALL THE INFORMATION REQUIRED BY OUR TRANSPORTATION INVOICES SUCH AS

METER NUMBER, SERVICE ADDRESS, MDQ, AND BANK TOLERANCE PERCENTAGE AMONG OTHERS. ON THE FLIP SIDE, GISB STANDARDS REQUIRE AT LEAST 7 MANDATORY ELEMENTS IN THE INVOICE DATASET THAT HAVE NO CURRENT LDC CORRESPONDENT; AND AT LEAST THREE MANDATORY ELEMENTS OF THE IMBALANCE STATEMENT ARE NOT USED BY OUR LDCs.

MODIFYING OPERATIONAL PRACTICES CAN HAVE COST IMPLICATIONS AND LDCs ARE VERY CONCERNED ABOUT MAKING SUCH MODIFICATIONS UNLESS THEY ARE SHOWN TO BE COST EFFECTIVE AND TO BETTER SERVE THE NEEDS OF OUR CUSTOMERS. ANOTHER POINT IS THAT THE DIFFERENCES I IDENTIFIED ARE SPECIFIC TO COLUMBIA'S LDCs AND EACH LDC WILL HAVE ITS OWN UNIQUE BUSINESS PRACTICES TO BE CONSIDERED AS WELL.

A SIGNIFICANT CHALLENGE FOR GISB IS TO MANAGE THE STAGGERING NUMBER OF REQUESTS RECEIVED FOR CLARIFICATIONS AND INTERPRETATIONS OF EXISTING STANDARDS, TO ADD NEW STANDARDS, AND TO ESTABLISH NEW TASK FORCES ON NEW TOPICS. IT IS ONLY PRUDENT FOR THE INDUSTRY TO SEE HOW THE EXISTING STANDARDS "SETTLE IN" ON THE PIPELINES AND WHETHER SIGNIFICANT MODIFICATIONS BECOME

NECESSARY, BEFORE CONSIDERING HOW GISB AND ITS STANDARDS APPLY TO TOMORROW'S LDCs.

A GOOD EXAMPLE IS FERC'S RECENTLY ISSUED NOTICE OF PROPOSED RULEMAKING (NOPR) THAT PROPOSES TO CHANGE QUITE SUBSTANTIALLY THE PRICING AND PROCESS FOR AWARDING RELEASED CAPACITY. COLUMBIA'S LDCs OPPOSE THE AUCTION PROCESS PROPOSED BY THE NOPR PRIMARILY BECAUSE IT WOULD INTERFERE WITH THE BASIS OF OUR UNBUNDLING PROGRAMS IN OHIO AND PENNSYLVANIA, WHICH WORK ON PRE-ARRANGED CAPACITY RELEASE DEALS. PRE-ARRANGED DEALS ARE NECESSARY TO ENSURE THAT MARKETERS OBTAIN RELIABLE CAPACITY AND TO PROVIDE THE LDC WITH PREDICTABLE REVENUES TO MITIGATE STRANDED COSTS (SINCE CAPACITY ASSIGNMENT IS NOT MANDATORY). BUT, THE AUCTION PROCESS WOULD NECESSITATE CONSIDERABLE CHANGES TO GISB'S ESTABLISHED DATASETS AND STANDARDS. IN THE NOPR AND A RELATED NOTICE OF INQUIRY, FERC SUGGESTED VARIOUS OTHER ISSUES THAT GISB MIGHT ADDRESS. SOME OF THE TOPICS ARE CLEARLY NOT APPROPRAITE FOR GISB – SUCH AS DEFINING THE ELEMENTS OF A TRANSPORTATION RECOURSE SERVICE AND APPROPRIATE STANDARD PENALTY PROVISIONS. I BELIEVE THESE ARE

SIGNIFICANTLY OUTSIDE GISB'S SCOPE. NEVERTHELESS, GISB UNDOUBTEDLY WILL HAVE WORK TO DO COMING OUT OF THE FERC'S NEW INITIATIVES.

I STATED LAST YEAR THAT FOR LDCS , " THE TIMES, THEY ARE A CHANGIN'," WHICH MAKES PREDICTING THE OUTLOOK FOR GISB A BIT DIFFICULT. THAT CERTAINLY HASN'T CHANGED IN TWELVE MONTHS. A FEW THEMES RESONATE WITH MOST LDCS, THOUGH:

COMPETITION MEANS RESTRUCTURING AND LDCS MUST BE EFFICIENT, VERY COST-CONSCIOUS, AND DO MORE WITH LESS. INEVITABLY, THAT WILL BRING GREATER RELIANCE ON ELECTRONIC COMMUNICATION. BUT IT ALSO MEANS IN MANY CASES STRETCHING PERSONNEL RESOURCES FURTHER THAN EVER AND CONCENTRATING ON THE PRIORITY ITEMS.

I CANNOT PROMISE THAT MANY MORE LDCS WILL PARTICIPATE IN GISB, BUT I HOPE AND FULLY EXPECT THAT GISB WILL BE A VALUABLE RESOURCE TO WHICH LDCS WILL TURN. AS THEY DO SO, LDCS WILL NEED TO BE CONVINCED THAT OUR REGULATORS AND OUR CUSTOMERS, BOTH THE TRADITIONAL CUSTOMERS AND OUR NEW MARKETER/SUPPLIER CUSTOMERS, VALUE OUR PARTICIPATION IN THE GISB PROCESS.