

RECOMMENDATION TO GISB EXECUTIVE COMMITTEE

Requester: Boeing

Request No.: C00002

1. Recommended Action:

- Accept as requested
- Accept as modified below
- Decline

Effect of EC Vote to Accept Recommended Action:

- Change to Existing Practice
- Status Quo

2. TYPE OF MAINTENANCE

Per Request:

- Initiation
- Modification
- Interpretation
- Withdrawal

- Principle (x.1.z)
- Definition (x.2.z)
- Business Practice Standard (x.3.z)
- Document (x.4.z)
- Data Element (x.4.z)
- Code Value (x.4.z)
- X12 Implementation Guide
- Business Process Documentation

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3. RECOMMENDATION

INTERPRETATIONS LANGUAGE:

Request:

“If the calculation results in a reimbursement of less than 0.5 decatherms, does the pipeline round down to zero or up to 1 (creating a one dekatherm minimum fuel-in-kind charge)? Is zero a decatherm?”

Restated Request:

“When the calculation of in-kind fuel reimbursement generates an amount less than 0.500 Dth, does the TSP round down to zero or up to 1? The effect of rounding up to 1 would be to create a one Dth minimum fuel-in-kind charge while the effect of rounding down would be to have a zero Dth reimbursement and possibly encourage gaming. Is zero a Dth?”

Interpretation:

“The mathematical effect of GISB Standard 1.3.15, the rounding standard, can generate a zero Dth result for any particular line item.”

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4. SUPPORTING DOCUMENTATION

a. Description of Request:

Clarification or interpretation request:

- 1.3.15 When the fuel reimbursement method is fuel in-kind, the results of the fuel reimbursement calculations for the nomination process should be rounded to the nearest dekatherm or Gigajoule (Canada).

If the calculation results in a reimbursement of less than 0.5 dekatherm, does the pipeline round down (mathematically correct) to zero or up to 1 (creating a 1 dth minimum fuel-in-kind charge)? Is "zero" a dekatherm?

Possible interpretations or clarifications, if known:

The 1 dekatherm minimum fuel charge creates a case where smaller shippers are charged a --potentially-- much higher fuel charge than larger shippers. A small shipper who nominates 10 dth would be charged a minimum of 1 dth and thus a 10% fuel charge, when the tariff calls for less than 1% fuel-in-kind charge. This is a discriminatory practice against smaller shippers.

The rounding process mathematically calls for less than 0.5 to round down to zero.

b. Description of Recommendation:

Interpretations Subcommittee (June 1, 2000)

C. C00002 Boeing

Interpretation Request:

“If the calculation results in a reimbursement of less than 0.5 dekatherms, does the pipeline round down to zero or up to 1 (creating a one dekatherm minimum fuel-in-kind charge)? Is zero a dekatherm.”

Discussion: There was discussion again along the lines of last week’s discussion of the gaming aspect. The removal from the proposed interpretation from the May 26th meeting of the “on the other hand sentence was in response to several participants discomfort with opining on other ways to address the gaming issue. It was noted that being silent on the matter did not preclude anyone who wanted a standard way of dealing with the issue to file a request. Silence also meant that a TSP could file a different way of addressing the issue with the applicable regulatory body. Lastly, it was observed that as the standard and the interpretation response address the line item only, a practice of dealing with the issue at other than the line item level was also outside of what GISB has addressed with respect to in-kind fuel reimbursement calculations. The below listed restated request for interpretation and proposed response reflect changes made during the meeting.

Restated Request for Interpretation:

“When the calculation of in-kind fuel reimbursement generates an amount less than 0.500 Dth, does the TSP round down to zero or up to 1? The effect of rounding up to 1 would be to create a one Dth minimum fuel-in-kind charge while the effect of rounding down would be to have a zero Dth reimbursement and possibly encourage gaming. Is zero a Dth?”

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Proposed Interpretation Response:

“The mathematical effect of GISB Standard 1.3.15, the rounding standard, can generate a zero Dth result for any particular line item.”

Moved as above by Paul Keeler seconded by Mark Scheel. The motion passed unanimously and the voting is reflected as Vote 2 on the Attendance Log.

The committee discussed sending both work products to the GISB Office to be sent out for industry comment and forwarded to the EC. This was unanimously consented to. In order to address the matter of the “draft state” of the minutes for this meeting, it was agreed that the draft minutes would be posted. It was also agreed that participants would e-mail to Greg their changes by June 9th, 2000 and that he would accept the changes and then post the minutes as final after that time. In this way, the minutes would be final without having to schedule a meeting just to review and finalize the minutes.

Interpretations Subcommittee (May 26, 2000)

C. C00002 Boeing

Interpretation Request:

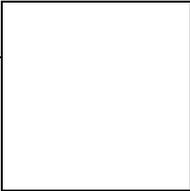
“If the calculation results in a reimbursement of less than 0.5 decatherms, does the pipeline round down to zero or up to 1 (creating a one dekatherm minimum fuel-in-kind charge)? Is zero a decatherm.”

Discussion: Tina Patton presented the request for interpretation. She mentioned that the effect of a one-time practice of her TSP was to assess a minimum one-Dth per line item of nominated transportation. She mentioned that an informal FERC hotline process had resulted in a finding that should the mathematical result of applying a fuel reimbursement factor generate a less than 0.50 Dth amount, then the application of the standard would be to have a zero fuel reimbursement factor. She also mentioned that her TSP had informed her that there were large shippers (at least one) which broke their transportation activities down to such a low quantity per line item that they were effectively avoiding reimbursing the TSP for fuel in the aggregate. There was discussion by some participants that it was not fair to assess a shipper with a very small amount of transportation a minimum quantity of fuel per line item. By the same token discussion identified that it was also not fair to deny the TSP reimbursement of fuel, or worse yet, to shift fuel reimbursement responsibility from one shipper to another through gaming. The gaming was described as using package ID to sub-divide an aggregate transaction into many smaller line items. There was mention by Mr. Lander that he knew of at least one pipeline that took all fractional remainders from all fuel calculations and summed them as a separate “keep whole” fuel factor amount. Kim Van Pelt acknowledged that Trunkline had that practice, but that she would have to check to determine if that was still in place. Mr. Lander offered that such a practice would make the gaming ineffective while not disadvantaging the small quantity shippers through the institution of a “minimum fuel per line item” practice.

Mr. Lander drafted the following after the meeting to reflect a possible interpretation to be considered for discussion at the next Interpretations Subcommittee meeting.

Restated Request for Interpretation:

“When the calculation of in-kind fuel reimbursement generates an amount less than 0.500 Dth, does the TSP round down to zero or up to 1? The effect of



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rounding up to 1 would be to create a one Dth minimum fuel-in-kind charge while the effect of rounding down would be to have a zero Dth reimbursement and possibly encourage gaming. Is zero a Dth?"

Proposed Interpretation Response:

The mathematical effect of GISB Standard 1.3.15, the rounding standard, can generate a zero Dth result for any particular line item. On the other hand, there is no GISB standard that would prevent the accumulation (summation) of all fractional-Dth remainders from all line items and providing for that accumulation (to the whole Dth thereby still applying Standard 1.3.15) to be the in-kind fuel-reimbursement factor over a billing or other period.

c. Business Purpose:

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