

R95003



VALERO  
TRANSMISSION, L.P.

P. O. Box 53720 • Houston, Texas 77052-0720 • 713-961-2700

November 6, 1995

Gas Industry Standards Board  
Attn: Rae McQuade  
1100 Louisiana, Ste. 4925  
Houston, Texas 77002

Dear Rae:

I have attached a request for a GISB standard relating to standardization of operating balancing agreements. We have been exploring the automatic cash out concept here at Valero. For your reference, I have included our basic cash balancing language to give you an idea of the concept.

Please feel free to contact me at any time.

Sincerely,

Tony Chovanec  
Account Executive - Gulf Coast Region

ACC/cs  
Attachment

# Gas Industry Standards Board

Request for Initiation of a GISB Standard for Electronic Business Transactions  
or  
Request for Enhancement of an Existing GISB Standard for Electronic Business Transactions

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Date of Request: 20 Oct 1995

1. **Submitting Entity & Address:**

Valero Natural Gas Company  
1200 Smith Street, Suite 900  
Houston, Texas 77002

2. **Contact Person, Phone #, Fax #, Electronic Mailing Address:**

Name: Tony Chovanec  
Title: Account Executive  
Phone: (713) 951-2039  
Fax: (713) 951-2233

3. **Description of Proposed Standard or Enhancement:**

Standardized Operating Balancing Agreement "OBA" to serve as a tool for pipelines to reconcile minor volume discrepancies which occur after nominations have been submitted and confirmed. The purpose of this agreement is to settle minor differences without involving shippers, saving time for both the shipper and transporters.

4. **Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard, and required communication of protocols):**

To reconcile the amount of gas delivered/received to the amount confirmed and scheduled, leaving the differences to be "cashed out" by the individual pipelines without having to adjust individual shipper nominations for these discrepancies.

5. **Description of any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:**

- a. Provide efficient disposal of minor imbalances at pipeline delivery points in order to provide reliable service to shippers.
- b. Minimize commodity price risk to both to both the delivery and receiving pipelines possibly through daily cash balancing.

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6. **Estimate of Incremental Specific costs in Implement Proposed Standard or Enhancement:**
- Incremental costs are minimal as these issues are primarily contractual. Additionally, depending on the approach the industry chooses, the contract should be short and straight forward.**
7. **Description of Any Specific Legal or Other Considerations:**
- When implemented, these procedures will help put to "full use" the funds spent by the industry as part of the 636 restructuring for electronic flow measurement through daily balancing.**
8. **If This Proposed Standard or Enhancement is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (corporations and Contacts):**
- Not Applicable.**
9. **If this Proposed Standard or Enhancement is In Use, Who are the Trading Partners:**
- Not Applicable.**
10. **Attachments (such as: further detailed proposals, transaction data, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):**
- Attached is a rough draft that outlines the concept of automatic daily cash balancing between pipeline based on agreed to indexes. The concept generally assumes that a daily price will be used such as Gas Daily, trades posted on one of the electronic medium or some basis from the daily commodity market in order to reflect the value of the gas on the day the imbalance occurred.**

OPERATIONAL BALANCING AGREEMENT

BETWEEN

\_\_\_\_\_

AND

\_\_\_\_\_

THIS AGREEMENT ("Agreement") made and entered into by and between \_\_\_\_\_  
\_\_\_\_\_ ("\_\_\_\_\_") and \_\_\_\_\_ ("\_\_\_\_\_"),  
(collectively the "Parties" or individually as "Party") this \_\_\_ day of \_\_\_\_\_, 1995.

WITNESSETH

WHEREAS, the facilities operated or to be operated by \_\_\_\_\_ and \_\_\_\_\_  
interconnect at a point or points specified in the Exhibit A attached hereto and incorporated  
herein by this reference (hereinafter referred to as "Interconnect Point," whether one or more);  
and

WHEREAS, \_\_\_\_\_ and/or \_\_\_\_\_ have entered into one or more  
agreements with third party shippers (hereinafter referred to as "Shipper" or "Shippers") for  
the transportation of gas to or from the Interconnect Point on their respective systems (said  
agreements hereinafter referred to as "Shipper Agreements"); and

WHEREAS, from time to time, the quantities of gas confirmed and scheduled by \_\_\_\_\_  
\_\_\_\_\_ and \_\_\_\_\_ to be delivered to or received from the Interconnect Point (said quantities  
hereinafter referred to as the "Scheduled Quantities") may be greater or lesser than the  
quantities of gas which are actually delivered or received at the Interconnect Point, resulting in  
inadvertent over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement a balancing agreement in order to facilitate  
more efficient operations, accounting, and systems management at the Interconnect Point and  
on the Parties' respective systems.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained  
herein, the Parties agree as follows:

1. Before 4:00 p.m. on the second work day prior to the first day of each month, the Parties shall reconcile and confirm by upstream/downstream contract number and shipper name, in writing, the nominations received by each Party from Shippers for whom the Parties will be delivering or receiving gas at the Interconnect Point during the upcoming month. Any changes to such confirmed nominations during the month shall be due by 2:00 p.m. on the day prior to actual flow and shall be effective only if agreed to in writing by both Parties. Such written communication provided by the Parties regarding changes shall be substantially in the form set out on the attached Exhibit B, or in any other form mutually agreeable to the Parties.

2. The Parties intend that the volume of gas actually delivered and received each day at each Interconnect Point will equal the Scheduled Quantities for that point. Each Party will allocate volumes which are to be delivered and received at each Interconnect Point among the Shipper Agreements on its system pursuant to the Scheduled Quantities for that point. Any Operational Imbalance created, when the actual physical flow is different than the Scheduled Quantities will be the "Operational Imbalance," which will be the responsibility of the Parties to eliminate pursuant to this Agreement.

3. In the event that a capacity constraint occurs on either Party's pipeline system which results in curtailment of quantities through the Interconnect Point, the Party on whose system the constraint has occurred shall determine the reallocation of quantities to the Shippers. If the constraint occurs at the Interconnect Point, the Party which operates the meter at the Interconnect Point shall be deemed to have the constraint on its system.

4. Estimated meter quantities shall be used on a daily basis to monitor Scheduled Quantities at the Interconnect Point. To adequately control imbalance levels, physical flow adjustments will be made as mutually agreed to by both Parties. If physical flow adjustments are not feasible, the party on whose system a constraint has occurred will reallocate its Shipper nominations, if so requested by the other party, to accurately reflect the physical flow capabilities.

5. The daily physical flow at such Interconnect Point will be determined and communicated by either \_\_\_\_\_ or \_\_\_\_\_, whichever operates the settlement meter, to the other party in writing as soon as possible but in no case later than the eighth (8th) workday of the month following the month in question. Unless mutually agreed to by the parties, the Operational Imbalance [at each Interconnect Point] will be eliminated pursuant to the following cash-out procedure:

- a. If deliveries of gas [at any Interconnect Point] on any day exceed the daily Scheduled Quantities [at such Point] for that day ("Excess Quantities"), the receiving party, or its designee, shall purchase the Excess Quantities at the Gas Daily average of the hi - lo price published each day in the table "Daily Price Survey" under the heading "East - Houston - Katy" - Katy Hub Tailgate for that day.

- b. If deliveries of gas [at any Interconnect Point] on any day are less than daily Scheduled Quantities [at such Point] for that day ("Shortfall Quantities"), the delivering party, or its designee, shall purchase the Shortfall Quantities at the Gas Daily average of the hi - lo price published each day in the table "Daily Price Survey" under the heading "East - Houston - Katy" - Katy Hub Tailgate for that day.

6. Any amounts owed pursuant to Paragraphs 5.a shall be setoff against any amounts owed pursuant to Paragraph 5.b. Any amounts owed pursuant to Paragraph 5 hereunder shall be [setoff among all Interconnect Points and the resulting amount] reflected in an invoice mailed to \_\_\_\_\_ by \_\_\_\_\_ by the fifteenth (15th) day of the month following the month in question with payment to be received by \_\_\_\_\_ or \_\_\_\_\_ by the last day of the month.

7. All quantities of gas hereunder shall be reported in MMBtu's, which shall be determined by multiplying each MCF of gas received and delivered by the dry heating value thereof. Measurement of gas for all purposes hereunder shall be in accordance with the provisions set forth in the meter operator's "Statement of Operating Conditions" and "Terms and Conditions" for transportation, as in effect from time to time.

8. This Agreement shall be effective October 1<sup>st</sup>, 1995 and shall continue until cancelled by either party upon forty-eight (48) hours prior written notice, with any remaining Operational Imbalance corrected as specified herein.

9. Nothing in this Agreement shall be construed to allow either party to deliberately over or underdeliver the volumes agreed upon pursuant to Paragraph 1 hereof, nor shall anything in this Agreement be construed as prohibiting either party from taking any action it deems necessary to reduce or avoid excessive imbalance quantities.

10. This Agreement and the terms and conditions herein are subject to all present and future valid laws, order, rules and regulations of duly constituted authorities having jurisdiction. If any term of this Operational Balancing Agreement is deemed to be unenforceable by any law, order, rule or regulations of authorities having jurisdiction, then the unenforceable term shall be deemed void but the remainder of this Agreement shall remain in full force and effect.

11. This Agreement is entered into in order to facilitate operations and accounting between the Parties and shall have no effect upon the agreements between either Party and Shippers on their respective systems, such Shippers' priority of service on either Party's system, or upon the effectiveness of either Party's tariff.

12. No person, firm, or corporation who is not a party to this Agreement shall have

- b. If deliveries of gas [at any Interconnect Point] on any day are less than daily Scheduled Quantities [at such Point] for that day ("Shortfall Quantities"), the delivering party, or its designee, shall purchase the Shortfall Quantities at the Gas Daily average of the hi - lo price published each day in the table "Daily Price Survey" under the heading "East - Houston - Katy" - Katy Hub Tailgate for that day.

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11. This Agreement is entered into in order to facilitate operations and accounting between the Parties and shall have no effect upon the agreements between either Party and Shippers on their respective systems, such Shippers' priority of service on either Party's system, or upon the effectiveness of either Party's tariff.

12. No person, firm, or corporation who is not a party to this Agreement shall have

any legal or equitable right, remedy, or claim under this Agreement, and nothing herein is intended to establish any third party beneficiaries to this Agreement.

**13. THIS AGREEMENT SHALL BE GOVERNED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**

14. All operations shall be pursuant to its "Statement of Operating Conditions" and "Terms and Conditions" of the applicable Natural Gas Policy Act Section 311 transportation agreements on file with FERC, as such filings may be changed from time to time.

15. All operations shall be pursuant to any applicable Natural Gas Policy Act Section 311 transportation agreements and any filing with FERC, as such filing may be changed from time to time.

The Parties' signatures below will evidence their agreement to this Operational Balancing Agreement.

ACCEPTED AND AGREED TO this \_\_\_\_ day of \_\_\_\_\_, 1995.

COMPANY NAME

By: \_\_\_\_\_

Title: \_\_\_\_\_

ACCEPTED AND AGREED TO this \_\_\_\_ day of \_\_\_\_\_, 1995.

COMPANY NAME

By: \_\_\_\_\_

Title: \_\_\_\_\_



EXHIBIT A

To the Operational Balancing Agreement  
between \_\_\_\_\_ and  
\_\_\_\_\_

Dated \_\_\_\_\_

Interconnection Point(s) between \_\_\_\_\_ and \_\_\_\_\_ :

Meter No.

Meter No.

Description

EXHIBIT B

CONFIRMING NOMINATIONS FOR \_\_\_\_\_

OPERATIONAL BALANCING AGREEMENT

BY AND BETWEEN

\_\_\_\_\_ and  
\_\_\_\_\_

Name of Interconnection Point: \_\_\_\_\_

\_\_\_ Agreement No. \_\_\_\_\_

\_\_\_ Agreement No. \_\_\_\_\_

\_\_\_\_\_ Meter No. \_\_\_\_\_

\_\_\_\_\_ Meter No. \_\_\_\_\_

Preparer's Name \_\_\_\_\_ Phone Number (\_\_\_\_) \_\_\_\_\_

Fax Number (\_\_\_\_) \_\_\_\_\_

Effective Date of this Statement \_\_\_\_\_ Date Prepared \_\_\_\_\_

Shipper Name & Contract Number	Shipper Name & Contract Number	Corrected Amount of Nomination MMBtu	Previous Nomination MMBtu	Change
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Operational Imbalance as of \_\_\_\_\_ is \_\_\_\_\_ MMBtu of gas owed \_\_\_\_\_  
by \_\_\_\_\_. This imbalance shall be corrected in the  
following manner:

\_\_\_\_\_  
\_\_\_\_\_

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COMPANY NAME

COMPANY NAME

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_