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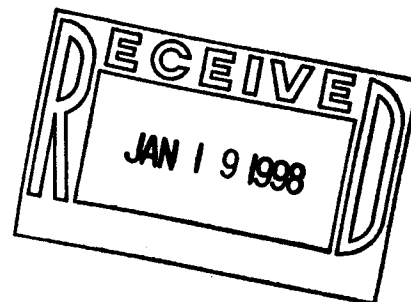
Writer's Direct Dial No.

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January 19, 1998

Gas Industry Standards Board
1100 Louisiana
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Attn: Rae McQuade



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Re: The Ultimate Contract

Dear Rae:

After sitting on the contracting subcommittee and working on the GISB short-term contract, the FTAA, and now, what we are calling the GO Terms, (GISB Oral Terms), it has occurred to me that it is time to begin the ultimate challenge. That challenge would be to develop a GISB sponsored contract that could be used for the long and short term sale of natural gas and EFPs as well as having a rider for long and short term electrical power and generating capacity.

As the former General Counsel of NorAm Energy Services, Inc., defined as a marketer by GISB, as the new Assistant General Counsel of American Electric Power, and as one of the present co-chairs for the contracting committee, I would like to chair such an endeavor. I believe that it will take at least nine months to get this done but with the approval process we could finish it by spring 1999.

Others have also expressed an interest in working with me on this project and I would suggest as vice-chairs Bill Hebenstreit from El Paso Energy Marketing, Marcy F. Collins of PG&E Trading and Jeff Jarvis of NorAm Energy Services. It is a big project and we will need a number of folks running subcommittee meetings around the country.


Regardless of who you choose to organize this process, please consider this as the formal request to begin.

I appreciate all the help you have given me in the past and would appreciate your phoning me to discuss getting started as soon as possible. I suggest some urgency as we have a good nucleus group working on the GO Terms and I would like to announce this evolutionary challenge during our last GO meeting set for February 6, 1998.

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I look forward to discussing this project with you.

Sincerely,



Michael L. Wallace
Assistant General Counsel

MLW:mjl

cc: Bill Hebenstreit
Marcy F. Collins
Jeff Jarvis