

North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
Home Page: www.naesb.org

TO: Interested Industry Participants
FROM: BPS Chairs (Tina Burnett, Mike Novak, Kim Van Pelt, Producer vacancy, Services vacancy)
Rae McQuade, Executive Director
RE: Final Minutes from the Business Practices Subcommittee Meeting, February 56, 2003
DATE: February 11, 2003

1. Administrative

Mr. Novak opened the meeting and gave the antitrust guidelines. Participants were instructed to sign the sign-in sheet and introductions were made around the room and on the phone. Mr. Dotterweich moved, seconded by Ms. Chezar, to adopt the agenda. Upon a procedural vote, the agenda was adopted as written.

Changes were recorded for the January 22-23, 2003 minutes. Ms. Chezar moved, seconded by Ms. Perlman, to adopt the modified January 22-23 minutes as final. Upon a procedural vote, the modified January 22-23, 2003 minutes were adopted as final. Ms. Chezar and Ms. Perlman approved an amendment to the motion to include the attachment to the minutes. Modifications were recorded for the January 30, 2003 minutes and the attachment. Mr. Dotterweich moved, seconded by Mr. Columbo, to adopt the modified minutes and their attachment. Upon procedural vote, the modified January 30, 2003 minutes and attachment were adopted as final.

2. Discuss any recent FERC policy guidance regarding creditworthiness on Transportation Service Providers

Mr. Novak noted that the group should review the Tennessee (GT02-35) and Northern Natural Gas (GT02-38) Orders, specifically the areas that mention NAESB. The BPS then began to discuss the Orders to determine whether they will impact the work of the BPS Creditworthiness group. It was suggested the subcommittee wait until the final orders are published to take any formal steps in changing the work plan. Mr. Novak noted the Executive Committee approved the original work plan and would have to approve any modifications to the work plan. Ms. Van Pelt noted there is an EC meeting in February and any necessary recommendations can be made at that time. Ms. Corcoran suggested if there is a need to modify the work plan the subcommittee should modify the agenda to include modifying the work plan as an item.

There was an extensive discussion as to how to proceed with the orders. Some felt that we should go through the orders paragraph by paragraph. Some felt we should specify particular paragraphs that should be taken into consideration in the context of our current work plan and make recommendations to add to the work plan, if needed. Others felt that we should wait until more orders on other pipelines or final orders on all of the pipelines are issued.

Others suggested that the BPS look for clear directives from FERC to NAESB. Where such directives can be placed in the work plan, they should be considered and where they don't fit into the work plan, the BPS should ask the Executive Committee to update the work plan.

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Motion (motioned by Cynthia Corcoran, seconded by Marjorie Perlman)

BPS should review the Tennessee Gas Pipeline order (GT02-35) and the Northern Natural Gas Company order (GT02-38) in the order of numerical paragraphs for specific directions that FERC has given NAESB for additional requirements or specific policy statements regarding z1-z6. Where these requirements fit into the current work plan, they should be addressed. Where these requirements are new, they should be considered for presentation to the Executive Committee for update of the work plan.

Discussion

Ms. Corcoran requested a procedural vote on the motion. Upon a procedural vote (17 in favor, 16 opposed) the motion passed. Ms. Corcoran withdrew her request for a procedural vote and requested a balanced vote. Mr. Novak suggested that the previous vote be considered a sense of the room, and a new motion should be made in order to take a balanced vote.

Motion (motioned by Georgia Carter, seconded by Gary Hinners)

BPS should review the Tennessee Gas Pipeline order (GT02-35) and the Northern Natural Gas Company order (GT02-38) in the order of numerical paragraphs for specific directions that FERC has given NAESB for additional requirements or specific policy statements regarding z1-z6. Where these requirements fit into the current work plan, they should be addressed. Where these requirements are new, they should be considered for presentation to the Executive Committee for update of the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	1	.50	3	1.50
LDCs	0	0	8	2.00
Services	0	0	1	1.00
Pipelines	14	2	0	0
Producers	0	0	3	2.00
Totals	15	2.50	15	6.50

Motion fails

Motion (motioned by Gary Hinners, seconded by Jim Downs)

The Tennessee Gas Pipeline and Northern Natural Gas orders should be reviewed by BPS. The BPS should then determine which items should fall within the existing work plan and which items do not. It is proposed that the Northern Natural Gas Order be evaluated first.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	7	2	0	0
Pipelines	13	2	0	0
Producers	3	2	0	0
Services	1	1	0	0
Totals	28	9	0	0

Motion passes

The BPS began discussion of the Northern Natural Gas Order. There was discussion of the use of the word generic in the Order regarding its context and the meaning of 'generic' in relation to FERC actions/policies.

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There was some concern voiced about spending both days of this meeting reviewing the orders paragraph by paragraph and not getting anything accomplished on the actual work plan. It was suggested that the subcommittee draft standards as they review the Orders. Many attendees became concerned the discussion was not productive and after a lengthy discussion of several of the individual paragraphs of the Northern order, it was proposed that this was not the best use of our time and that we should move on to the next item on the agenda.

Motion (motioned by Andy Dotterweich, seconded by Randy Young)

Terminate further discussion of the orders under item #2 of the agenda and go to the next item (item #3) on the agenda.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	1	.50	3	1.50
LDCs	6	2	0	0
Pipelines	17	2	0	0
Producers	3	2	0	0
Services	0	0	0	0
Totals	27	6.50	3	1.50

Motion passes

3. Evaluation of Work Plan Items for Creditworthiness Standardization

II. E. Notice Requirements with Respect to a Determination of a Shipper's Creditworthiness Status

Mr. Downs distributed a work paper containing a proposal for item II E, which consisted of items separated out of the original Calpine proposal. Mr. Novak read the work paper distributed by Mr. Downs.

Motion (motioned by Jim Downs, seconded by Kirstin Gibbs)

Upon the Transportation Service Provider (TSP) determining a Service Requester non-creditworthy, the TSP should provide the Service Requester written notification. The TSP's written notification of non-creditworthiness should clearly state the reason(s) for the TSP's decision, including the identification of any subjective factors that went into the credit evaluation process. If TSP's decisions are based on any financial criteria and ratios, the TSP should specifically identify what those criteria and ratios are, including the specific financial numbers and calculations used.

Discussion

Calpine stated that they feel that the paragraph 53 of Northern's order and paragraph 46 of Tennessee's order support the motion. Subsequent discussion indicated insufficient support so the motion was withdrawn and re-proposed in a modified format.

Motion (motioned by Jim Downs, seconded by Kirstin Gibbs)

Proposed Standard z7

Upon the Transportation Service Provider's (TSP) determination that a Service Requester (SR) is non-creditworthy, the TSP should provide the SR with written notification which clearly states the reason(s) for the TSP's decision.

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Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	2	0	0
LDCs	6	1.71	1	.29
Pipelines	5	.71	9	1.29
Producers	2	2	0	0
Services	2	2	0	0
Totals	18	8.42	10	1.58

Motion passes

Motion (motioned by Jim Downs, seconded by Kirstin Gibbs)

Proposed Standard z8

The Transportation Service Provider's (TSP) written notification pursuant to NAESB WGQ Standard [z7] should include the identification of any objective and subjective factors that went into the credit evaluation. If the TSP's decision is based on any financial criteria and ratios, the TSP should specifically identify such criteria and ratios, including the specific financial numbers and calculations used.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	2	0	0
LDCs	0	0	7	2
Pipelines	0	0	17	2
Producers	0	0	3	2
Services	1	1	1	1
Totals	4	3	28	7

Motion fails

The meeting recessed at 5:55pm EST until 8:00am EST February 6, 2003.

On February 6, 2003, Ms. Van Pelt opened the meeting and reminded participants they were still operating under the antitrust guidelines. Introductions were made in the room and on the telephone.

Before discussion resumed on the current agenda item, Mr. Dotterweich made a motion, seconded by Mr. Love.

Motion (motioned by Andy Dotterweich, seconded by Paul Love)

Can the WGQ BPS function as a generic proceeding as specified in the Northern Natural Gas Company Order (GT02-38), dated January 29, 2003, paragraphs 14-17? If so, can the Board Managing Committee offer guidance on how to proceed?

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	3	2
LDCs	4	1.33	2	.67
Pipelines	0	0	12	2
Producers	0	0	1	1

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Services	0	0	2	2
Totals	4	1.33	20	7.67

Motion fails

It was suggested that discussion be limited to facilitate progress on the work plan. It was agreed to discuss this issue after lunch.

The pipelines withdrew their work paper on II. E. as it was addressed by the Calpine motion on February 5, 2003.

II. B. Type of Confirmations and Notification that the Service Requester should Supply for Creditworthiness

The pipelines offered their work paper for II. B. with new language to replace 3 and 4. A work paper with the change proposed was distributed. Mr. Nelson suggested they replace what is now listed as item number three and four with the language on the work paper pending any changes necessitated by the orders coming out of FERC.

On pipeline work paper II. B., replace 3. and 4. with the following language:

Any material event or corporate change that would require Service Requester file a report (other than an annual report or quarterly report) with the Securities & Exchange Commission (SEC), or, for a Service Requester that is a non-public entity, any material event or corporate change that would require Service Requester to file such report were Service Requester subject to SEC jurisdiction.

There was extended discussion of Mr. Nelson's motion. Concerns were voiced about the treatment of non-public vs. public companies. Further discussion included several proposed and accepted changes to the motion.

Motion (motioned by Howard Nelson, seconded by Kathryn Burch) Proposed Standard z9

At the time of its service request, the Service Requester (SR) should confirm to the Transportation Service Provider (TSP) whether any of the following conditions exist:

1. SR has filed for bankruptcy protection and/or is operating under any chapter of the bankruptcy laws;
2. SR is subject to liquidation or debt reduction procedures under governing laws, such as an assignment for the benefit of creditors or any creditors' committee agreement;
3. Any material event or corporate change that affects the financial condition of the SR and requires the SR to file a report (other than an annual report or quarterly report) with the Securities & Exchange Commission (SEC), or, for a SR that is a non-public entity, any material event or corporate change that requires the SR to file such a report were SR subject to SEC jurisdiction.
4. A downgrade by a credit rating agency within the last ninety (90) days.

If any of the above listed conditions arise after the initial request for service, the SR should notify the TSP promptly of the occurrence of any such condition(s).

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Discussion of the third condition indicated insufficient support so the motion was modified.

Modified Motion

Proposed Standard z9

At the time of its request for service and upon the Transportation Service Provider's (TSP) request at any time thereafter, the Service Requester (SR) should confirm to the TSP whether any of the following conditions exist:

1. SR has filed for bankruptcy protection and/or is operating under any chapter of the bankruptcy laws;
2. SR is subject to liquidation or debt reduction procedures under governing laws, such as an assignment for the benefit of creditors or any creditors' committee agreement; and/or
3. A downgrade by a credit rating agency within the last six months.

Further, the SR should provide such other confirmation(s) as the TSP has approval for or may receive approval to include in its tariff or general terms and conditions.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	3	2
LDCs	1	.40	4	1.60
Pipelines	17	2	0	0
Producers	0	0	3	2
Services	0	0	2	2
Totals	18	2.40	12	7.60

Motion fails

Mr. Nelson moved, seconded by Kathryn Burch, to reopen the last proposal on II B with one change; eliminating the last sentence.

Modified Motion

Proposed Standard z9

At the time of its request for service and upon the Transportation Service Provider's (TSP) request at any time thereafter, the Service Requester (SR) should confirm to the TSP whether any of the following conditions exist:

1. SR has filed for bankruptcy protection and/or is operating under any chapter of the bankruptcy laws;
2. SR is subject to liquidation or debt reduction procedures under governing laws, such as an assignment for the benefit of creditors or any creditors' committee agreement; and/or
3. A downgrade by a credit rating agency within the last six months.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	2	1.33	1	.67
LDCs	4	1.33	2	.67
Pipelines	17	2	0	0
Producers	2	2	0	0
Services	2	2	0	0

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Totals	27	8.66	3	1.34
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Motion passes

Ms. Van Pelt suggested reevaluating the agenda to decide if the BPS needs to add more meetings, and voiced her feeling that she is not in favor of limiting discussion on work plan items. It was decided that more meetings would be added if necessary but discussions would not be limited.

3. II. C. Types of Alternative Credit Assurances

It was noted that Calpine's proposal for II C was posted on the NAESB web site. Mr. Downs moved, seconded by Ms. Gibbs, to adopt item 1 on the Calpine II C proposal as a strawman standard.

Motion (motioned by Jim Downs, seconded by Kirstin Gibbs)

Proposed Standard z10

A non-creditworthy Service Requester (SR) should provide one following forms of credit assurances (at its own choosing):

1. An irrevocable letter of credit;
2. Prepayment of service;
3. Security interest;
4. Surety bond;
5. Parental guarantee.

Discussion resulted in the following modified motion:

Modified Motion (motioned by Jim Downs, seconded by Kirstin Gibbs)

Proposed Standard z10

A non-creditworthy Service Requester (SR) may continue to receive service from the Transportation Service Provider (TSP) by providing one of the following forms of credit alternatives (of its own choosing), provided that such credit alternative is in a commercially reasonable form acceptable to the TSP:

1. Irrevocable letter of credit;
2. Prepayment of service;
3. Security interest;
4. Surety bond;
5. Guarantee

The TSP and the SR may also agree that, in lieu of providing the above credit alternatives, other mutually agreeable forms of credit alternatives may be provided.

Discussion

Discussion of Surety Bonds lead to a suggestion they be relegated to the "mutually agreeable forms" section of the proposed standard. There was also a suggestion that LDCs with state approved gas cost recovery mechanisms be accorded some status within this section too.

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Motion withdrawn

Due to time constraints and further issues concerning this item, Mr. Downs withdrew his motion and deferred further discussion until the next meeting on the 11th. It was requested that the Mr. Downs make modifications to the proposed standard based upon discussion at the meeting and post the modifications to the WGQ BPS web site. The modified motion will be considered first at the next meeting on 2/11.

4. Next Steps

Ms. Van Pelt noted BPS will have a conference call on the 11th and one on the 14th. II C will be the first item on the agenda followed by II D, II F and II G. She noted anyone is welcome to submit work papers to be posted on the NAESB web site. Ms. Van Pelt informed participants that the chairs will try to set up another face-to-face meeting.

5. Upcoming Meetings

2/11/2003	12:30-3:30 CST	BPS Conference Call
2/14/2003	12:30-3:30 CST	BPS Conference Call

6. Adjournment

The meeting adjourned on February 6, 2003 at 2:50pm EST.

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Meeting Attendees and Voting Record

Attendee	Organization	2/5	2/6	NAESB WGQ Member ?
Pipelines:				
Cynthia Corcoran	Enbridge Pipelines	√	√	√
Kelly Brooks	Williston Basin	√*	NO	√
Kathryn Burch	Duke Energy	√	√	√
Christopher Burden	Williams Gas Pipeline	Nv*	Nv*	√
Paul Cherry	Florida Gas Transmission	NO	√*	NO
Dale Davis	Williams Gas Pipeline	√	√	√
Hein Duong	Duke Energy	Nv	Nv	√
Mark Gracey	Tennessee Gas Pipeline	√	√	√
Bill Griffith	Colorado Interstate	√	√	NO
Tom Gwilliam	Iroquois Gas Transmission System	√	√	√
Scott Hansen	Questar	Nv*	NO	√
Rita Holman	Northern Border Pipeline	NO	Nv*	√
Sharon Kimball	Wyoming Interstate	√	√	NO
Iris King	Dominion Transmission	√	√	√
Karen Lastovica	Northern Border Pipeline	√	√	√
Susan Lindberg	Duke Energy	Nv*	NO	√
Paul Love	NGPL	√	√	√
Howard Nelson	ANR Pipeline	√	√	√
Janie Nielsen	Kern River	√*	√*	√
Gary Schmitt	Questar	√*	NO	√
Donna Scott	Transwestern	√	√	√
Kim Van Pelt	Panhandle Eastern Pipeline	√	√	√
Kelly Wachter	Williston Basin	NO	√*	√
Mark Wilke	CMS Trunkline	√*	NO	NO
Brian Wilmoth	Northern Natural Gas	√	√	√
Randy Young	Gulf South Pipeline	√	√	√
Services:				
Georgia Carter	VPEM	√	√	NO
Anastasia Heinzelman	Midwest ISO	NO	√*	NO
Keith Sappenfield	Encana	√*	√*	√
Producers:				
Jim Busch	BP	√	√	√
Sheri Heslington	Dominion E&P	√*	√*	√
Richard Smith	Exxon-Mobil	√	√	√
End Users:				
Tina Burnett	Boeing	√*	NO	√
Kelly Daly	Arizona Public Service	√*	NO	√
Jim Downs	Calpine	√	√	√

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Kirstin Gibbs	Process Gas Consumers Group	√	√	NO
Gary Hinners	Reliant Energy	√	√	√
Alan Johnson	Mirant Corp	√*	NO	NO
LDCs:				
Dolores Chezar	KeySpan	√	√	√
Craig Colombo	Dominion Resources	√	√	√
Pete Connor	NiSource Distribution	√	√*	√
Jennifer Deegan	Washington Gas	√	√	√
Andy Dotterweich	Consumers Energy	√	√	NO
Richard Ishikawa	Southern California Gas	√	√	√
Brent Mishler	San Diego Gas & Electric	√*	NO	NO
Mike Novak	National Fuel Gas Distribution	√	√	√
Marjorie Perlman	Energy East	√	√	√
Associations:				
Mariam Arnaut	American Gas Association	√	Nv	NO
NAESB Office:				
Meghan McMillan		√	Nv	

Bold signifies a BPS Chair

Nv – not voting

* Attended via Phone