

# 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

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**TO:** Interested Industry Participants  
**FROM:** BPS Chairs (Tina Burnett, Mike Novak, Kim Van Pelt, Sheri Heslington, Keith Sappenfield)  
Rae McQuade, Executive Director  
**RE:** Final Minutes from the Business Practices Subcommittee Meeting, February 14, 2003  
**DATE:** February 27, 2003

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## 1. Administrative

Mr. Novak opened the meeting and gave the antitrust guidelines. Roll call was taken. Mr. Cherry moved, seconded by Ms. Chezar, to adopt the agenda. Upon a procedural vote the agenda was adopted as written. Ms. Davis moved, seconded by Ms. Chezar to adopt the attachment to the February 6, 2003 minutes. Upon a procedural vote the attachment was adopted as written. Ms. Davis moved, seconded by Mr. Griffith, to adopt the modified February 11, 2003 draft minutes. Upon a procedural vote the minutes were adopted as modified.

## 2. Evaluation of Work Plan Items for Creditworthiness Standardization

### II. C. Types of Alternative Credit Assurances

Mr. Downs noted that proposed standards z10 – z15 are posted on the NAESB web site as a workpaper for this meeting. Further, it was noted proposed standards z10 and z11 contain modifications made based on the discussion during the February 11, 2003 BPS meeting.

**Motion (motioned by Jim Downs, seconded by Keith Sappenfield) to adopt z.10 and z.11 together as follows:**

#### **Proposed Standard z10**

For the Service Requester (SR) to receive initial service or to continue service from a Transportation Service Provider (TSP), the SR should be (1) creditworthy in accordance with the TSP's tariff or provide credit alternative(s) in accordance with NAESB WGQ standard (z11), (2) current on all undisputed payments to the TSP for service, and (3) otherwise in compliance with the TSP's service agreement.

#### **Proposed Standard z11**

In the event the Service Requester (SR) is determined to be non-creditworthy by a Transportation Service Provider (TSP), at the SR's option the SR should provide one or more of the following forms of credit alternative(s) to receive initial service or continue to receive service:

- (i) guarantee;
- (ii) an irrevocable letter of credit; or
- (iii) prepayment of service.

Such credit alternatives(s) should be commercially reasonable and acceptable to the TSP, provided that TSP's acceptance should not be unreasonably withheld. The TSP and SR will mutually agree that the SR may provide other forms of credit alternatives, including but not limited to security interest(s) and cash security deposit(s). An entity that provides a guarantee or an

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irrevocable letter of credit must be deemed creditworthy by the TSP in accordance with the TSP's tariff.

Changes to proposed standards z10 and z11 were recorded during the discussion of the motion. Concerns were voiced about the use of the phrase "commercially reasonable" in proposed standard z11. Due to these concerns, Mr. Dotterweich moved, seconded by Mr. Nelson, to table further discussion until the next BPS meeting, which would allow concerned individuals to clarify the meaning of the phrase "commercially reasonable."

## Motion to Table (by Andy Dotterweich, seconded by Howard Nelson)

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0.00	0.00	1.00	1.00
LDCs	2.00	0.80	3.00	1.20
Pipelines	14.00	2.00	0.00	0.00
Producers	0.00	0.00	2.00	2.00
Services	0.00	0.00	2.00	2.00
Totals	16.00	2.80	8.00	6.20

### Motion fails

Discussion resumed and further modifications were made to the motions.

#### Modified Proposed Standard z10

For the Service Requester (SR) to receive initial service or to continue service from a Transportation Service Provider (TSP), the SR should be (1) creditworthy in accordance with the TSP's tariff or provide credit alternative(s) in accordance with NAESB WGQ standard (z11), (2) current on all undisputed payments to the TSP for service, and (3) otherwise in compliance with the TSP's tariff or service agreement.

#### Modified Proposed Standard z11

In the event the Service Requester (SR) is determined to be non-creditworthy by a Transportation Service Provider (TSP), at the SR's option the SR should provide one or more of the following forms of credit alternative(s) to receive initial service or continue to receive service:

- (i) guarantee;
- (ii) an irrevocable letter of credit; or
- (iii) prepayment of service.

Such credit alternative(s) should be (1) acceptable to the TSP, provided that the TSP's acceptance should not be unreasonably withheld and (2) in accordance with standard industry practices. The TSP and SR may mutually agree that the SR will provide other forms of credit alternatives. In order for a guarantee or an irrevocable letter of credit to be accepted by the TSP, the entity that provides such guarantee or letter of credit must be creditworthy in accordance with the TSP's tariff.

## Motion (motioned by Jim Downs, seconded by Keith Sappenfield) to adopt z.10 and z.11 together

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	2.00	2.00	0.00	0.00
LDCs	4.00	1.33	2.00	0.67
Pipelines	19.00	2.00	0.00	0.00
Producers	2.00	2.00	0.00	0.00
Services	2.00	2.00	0.00	0.00

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Totals	29.00	9.33	2.00	0.67
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**Motion passes**

Mr. Downs moved, seconded by Mr. Sappenfield, to adopt proposed standard z12 as written in the workpaper.

**Proposed Standard z12 (by Jim Downs, seconded by Keith Sappenfield)**

The value of any form of credit alternative(s) identified in NAESB WGQ standard [z11] and provided by a Service Requester (SR) to the Transportation Service Provider (TSP) in order for SR to receive or continue to receive service, shall not exceed the cost of providing three months of service to the SR.

Mr. Downs read proposed standard z12 into the record. After concerns were voiced about pending FERC policy on this issue, Mr. Downs withdrew his motion. Mr. Downs then moved, seconded by Mr. Sappenfield, to adopt proposed standard z13 as written in the workpaper.

**Proposed Standard z13 (by Jim Downs, seconded by Keith Sappenfield)**

The Transportation Service Provider (TSP) should pay interest to the Service Requester (SR) on all of the SR's prepayments or cash security deposits held by the TSP. Alternatively, the TSP should give the SR the option to designate an escrow account where the TSP may gain access to payments for TSP's services provided to the SR in the event the SR fails to make such payments.

Due to the length of the discussion, Mr. Downs withdrew his motion.

### 3. Next Steps

Mr. Novak noted the BPS will have a conference call on February 27<sup>th</sup> and a face-to-face meeting in Houston on March 6-7, 2003. Discussion of proposed standards z13-z15 will continue at the next WGQ BPS Creditworthiness meeting under Item II C. Time permitting, discussion will take place on agenda items II D, II F, and II G. Mr. Novak informed participants he will deliver a report to the EC on all of the strawman proposed standards at the EC meeting in New Orleans. He encouraged anyone who is interested to attend and contribute comments/questions, etc. Mr. Novak also noted he may try to schedule at least one more conference call for the week after the face-to-face meeting. He suggested the BPS might need another face-to-face meeting the third week in March.

### 4. Upcoming Meetings

2/27/2003	12:30pm-3:30pm CST	BPS Conference Call	
3/06-07/2003	9:00am-5:00pm CST	BPS Face-to-Face Meeting	Panhandle Eastern Pipe Line

### 5. Adjournment

The meeting adjourned at 3:27 CST.

### Meeting Attendees and Voting Record

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Attendee	Organization	2/14 <sup>1</sup>	Vote 1	NAESB WGQ Member ?
<b>Pipelines:</b>				
Bob Boyle	Questar	Nv		√
Kathryn Burch	Duke Energy	√		√
Paul Cherry	Florida Gas Transmission	√		NO
Cynthia Corcoran	Enbridge Pipeline	√		√
Dale Davis	Williams Gas Pipeline	√		√
Bill Griffith	Colorado Interstate	√		NO
Tom Gwilliam	Iroquois Gas Transmission System	√		√
Scott Hansen	Questar	√		√
Sharon Kimball	Wyoming Interstate	√		√
Iris King	Dominion Transmission	√		√
Karen Lastovica	Northern Border Pipeline	√		√
Paul Love	NGPL	√		√
Prince McDougal	Southern Natural Gas	√		√
Howard Nelson	ANR	√		√
Janie Nielsen	Kern River	√		√
Dave Reitz	National Fuel Gas Supply	√		√
Donna Scott	Transwestern	√		√
Dixie Simonsen	Questar	Nv		√
Mark Wilke	CMS Trunkline	√		NO
Brian Wilmoth	Northern Natural Gas	√		√
Leldon Walenta	Williams Gas Pipeline	Nv		√
Randy Young	Gulf South Pipeline	√		√
<b>Services:</b>				
Georgia Carter	VPEM	√		NO
Keith Sappenfield	Encana	√		√
<b>Producers:</b>				
Jim Busch	BP	√		√
Richard Smith	Exxon-Mobil	√		√
<b>End Users:</b>				
Jim Downs	Calpine	√		√
Kirstin Gibbs	Process Gas Consumers Group	√		NO
<b>LDCs:</b>				
Dolores Chezar	KeySpan	√		√
Pete Connor	NiSource Distribution	√		√
Andy Dotterweich	Consumers Energy	√		NO
Richard Ishikawa	Southern California Gas	√		√
<b>Mike Novak</b>	<b>National Fuel Gas Distribution</b>	√		√
Marjorie Perlman	Energy East	√		√

<sup>1</sup> Votes were taken by roll call. Details are available within the transcript.

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## **Associations:**

Mariam Arnaout	American Gas Association	Nv	NO
Jane Lewis	American Gas Association	Nv	NO
Annunciata Marino	Pennsylvania Public Utility Commission	Nv	NO

## **NAESB Office:**

Meghan McMillan	Nv
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**Bold signifies a BPS Chair**

**Nv – not voting**