

# North American Energy Standards Board

1301 Fannin, Suite 2350, 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, March 18-19, 2003  
**DATE:** March 28, 2003

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## 1. Administrative

Mr. Novak opened the meeting and gave the antitrust guidelines. Roll call was taken. Ms. Scott moved, seconded by Mr. Griffith, to adopt the agenda. A modification to the agenda was made providing for discussion on Work Plan Item II C (specifically Proposed Standard z17) following Item II F. There was general agreement in the room that discussion would not take place until the morning of March 19<sup>th</sup>, even if discussion on Item II F had been completed. Upon a procedural vote the agenda was adopted as modified. Modifications were recorded for the March 13, 2003 draft minutes. Mr. Dotterweich moved, seconded by Mr. Ishikawa, to adopt the modified draft minutes and attachment. Upon a procedural vote the minutes and attachment were adopted as modified.

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

BPS began discussion on item II F - Notification to a Releasing Shipper when its Replacement Shipper Receives a Notification Related to its Creditworthiness.

### **Motion (motioned by Dolores Chezar, seconded by Andy Dotterweich) Proposed Standard z19**

The Transportation Service Provider (TSP) should provide the Releasing Shipper with Internet E-mail notification, simultaneously with the notice given to its Replacement Shipper(s), of the following:

1. Deficiency notice related to nonpayment of invoices;
2. Default notice;
3. Suspension of Service;
4. Contract termination notice;
5. Notice that a request for information has been initiated by the TSP in order to determine whether there has been a material adverse change in the Replacement Shipper(s)' financial condition; and
6. Notice of a change in the Replacement Shipper(s)' creditworthiness status.

### **Discussion**

The first two items on the list within the proposed motion were consolidated. Based upon discussion, the fifth item and sixth items were recast to be more focused and a modified motion was developed.

### **Modified Motion (motioned by Dolores Chezar, seconded by Andy Dotterweich) Proposed Standard z19**

The Transportation Service Provider (TSP) should provide the Releasing Shipper with Internet E-mail notification, reasonably proximate in time with the formal notice given to its Replacement Shipper(s), of the following:

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1. Deficiency or default notice pursuant to the TSP's tariff;
  2. Suspension of service notice;
  3. Contract termination notice;
  4. Notice that a request for information has been initiated by the TSP for the purpose of credit evaluation; and
  5. Notice that a Replacement Shipper(s) is no longer creditworthy pursuant to the TSP's tariff.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	1	3	1
LDCs	6	2	0	0
Pipelines	0	0	19	2
Producers	2	2	0	0
Services	0	0	1	1
Totals	11	5	23	4

## Motion passes

### Motion (motioned by Dolores Chezar, seconded by Mike Novak)

#### Proposed Standard z20

The Transportation Service Provider (TSP) should provide a Releasing Shipper with simultaneous Internet E-mail notification of any default, suspension or termination of service notice sent to its Replacement Shipper(s) regarding any contract that its Replacement Shipper(s) has with the TSP.

#### Discussion

Mr. Novak explained that while z19 was suited for situations where a Replacement Shipper receives a default notice, for example, pertaining to an assignment from a specific Releasing Shipper, z20 had a broader application. In cases where a Replacement Shipper receives a default notice on another capacity assignment from a second Releasing Shipper, the first Releasing Shipper would receive notification so long as it had an active capacity release to Replacement Shipper. While many thought this concept was overly broad, Mr. Novak said that since the Releasing Shipper was ultimately "on the hook" for the reservation component of the release, that notification was justified.

### Modified Motion (motioned by Dolores Chezar, seconded by Mike Novak)

#### Proposed Standard z20

The Transportation Service Provider (TSP) should provide a Releasing Shipper with Internet E-mail notification reasonably proximate in time of any default, suspension or termination of service notice sent to its Replacement Shipper(s) that is the result of a credit related event, regarding any contract that its Replacement Shipper(s) has with the TSP.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	2	.67	4	1.33
LDCs	4	2	0	0
Pipelines	0	0	16	2
Producers	0	0	2	2
Services	0	0	1	1
Totals	6	2.67	23	6.33

## Motion fails – Abstentions from 1 LDC

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## Motion (motioned by Dolores Chezar, seconded by Craig Colombo)

### Proposed Standard z21

The Releasing Shipper should provide the Transportation Service Provider (TSP) with the Internet E-mail address of up to two authorized representatives who are designated to receive notification pursuant to NAESB WGQ Standard [z19]. The obligation of the TSP to provide notification is waived until the above requirement has been met.

### Discussion

To correspond to the form used in other NAESB standards, a sentence concerning internal distribution of notices was added to a modified motion.

## Modified Motion (motioned by Dolores Chezar, seconded by Craig Colombo)

### Proposed Standard z21

The Releasing Shipper should provide the Transportation Service Provider (TSP) with the Internet E-mail address of up to two authorized representatives who are designated to receive notification pursuant to NAESB WGQ Standard [z19]. The obligation of the TSP to provide notification is waived until the above requirement has been met. Affected parties should manage internal distribution of such notices that are received.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	2	0	0
LDCs	5	2	0	0
Pipelines	0	0	14	0 <del>2</del>
Producers	0	0	0	0
Services	1	1	0	0
Totals	9	5	0 <del>14</del>	0 <del>2</del>

**Motion passes – Abstentions from 3 End Users, 3 Pipelines and 2 Producers**

## Motion (motioned by Dolores Chezar, seconded by Craig Colombo)

### Proposed Standard z22

In complying with the notifications pursuant to NAESB WGQ Standard [z19], the Releasing Shipper and the Transportation Service Provider may mutually agree to other forms of communication.

### Discussion

Some meeting participants expressed reluctance to support z22 because of the reference to z19. They did not want a vote in favor of z22 to infer support for z19.

## Modified Motion (motioned by Dolores Chezar, seconded by Craig Colombo)

### Proposed Standard z22

In complying with the notifications pursuant to NAESB WGQ Standard [z19], the Releasing Shipper and the Transportation Service Provider may mutually agree to other forms of communication in lieu of Internet E-mail notification.

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Segments	Vote For	Balanced For	Vote Against	Balanced Against
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End Users	4	2	0	0
LDCs	5	2	0	0
Pipelines	0	0	10	2
Producers	2	2	0	0
Services	1	1	0	0
Totals	12	7	10	2

## **Motion passes – Abstentions from 9 Pipelines and 2 End Users**

### **Motion (motioned by Cynthia Corcoran, seconded by Donna Scott)**

#### **Proposed Modified Standard z19**

The Transportation Service Provider (TSP) should provide the Releasing Shipper with Internet E-mail notification reasonably proximate in time with the formal notice given to its Replacement Shipper(s), of the following:

- (1) Deficiency or default notice pursuant to the TSP's tariff,
- (2) Suspension of service notice;
- (3) Contract termination notice;
- (4) Notice that a Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to the TSP's tariff.

#### **Discussion**

The motion maker proposed changes to Strawman Proposed Standard z19 in order to obtain broader support for the standard.

### **Modified Motion (motioned by Cynthia Corcoran, seconded by Donna Scott)**

#### **Proposed Modified Standard z19**

The Transportation Service Provider (TSP) should provide the Releasing Shipper with Internet E-mail notification reasonably proximate in time with the formal notice given to its Replacement Shipper(s), of the following:

- (1) Deficiency or default notice pursuant to the TSP's tariff;
- (2) Suspension of service notice;
- (3) Contract termination notice prior to the end of the term of the subject contract due to defaults; and
- (4) Notice that a Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to the TSP's tariff.

#### **Discussion**

The LDC segment cited retention of item (4) from existing z19, Notice that a request for information has been initiated by the TSP for the purpose of credit evaluation, as critical.

#### **Motion withdrawn**

The meeting recessed for the day at 5:50 p.m. until 8:00 am the following morning. Mr. Novak re-opened the meeting and reminded participants of the antitrust guidelines. Roll call was taken in the room and on the phone. Discussion on II F resumed.

### **Modified Motion (motioned by Cynthia Corcoran, seconded by Donna Scott)**

#### **Proposed Modified z19**

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The Transportation Service Provider (TSP) should provide the releasing shipper with Internet E-mail notification reasonably proximate in time with the formal notice given to its replacement shipper(s), of the following:

- (1) Past due, deficiency, or default notice pursuant to the TSP's tariff;
- (2) Suspension of service notice;
- (3) Contract termination notice due to default or credit-related issues;
- (4) Notice that a request for information has been initiated by the TSP for the purpose of credit evaluation, excluding routine communication related to credit maintenance or new service; and
- (5) Notice that a replacement shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to the TSP's tariff.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	2	1	2	1
LDCs	5	2	0	0
Pipelines	17	2	0	0
Producers	2	2	0	0
Services	0	0	1	1
Totals	<del>026</del>	7	<del>403</del>	2

**Motion Passes – Abstentions from 1 LDC and 1 Pipeline**

Discussion then began on Work Plan Item II C, Types of alternative credit assurances - Customer Initiated Creditworthiness Re-evaluation.

## **Motion (motioned by Dolores Chezar, seconded by Richard Ishikawa) Proposed Modified Standard z17**

In complying with information requirements specified by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standards [z1] and [z9], if the Service Requester (SR) is a wholly-owned subsidiary of a public entity and the SR does not have required public documents, the SR should submit to the TSP the publicly available documents prepared by the SR's parent company.

### **Discussion**

Ms. Chezar noted a paragraph from recent Order that justified inclusion of a reference to Proposed Standard z9. After some discussion, Ms. Chezar withdrew the motion with the intention of resubmitting it at a subsequent meeting.

### **Motion Withdrawn**

Discussion then began on Work Plan Item II G, Creditworthiness Timelines, excluding Construction.

## **Motion (motioned by Jim Downs, seconded by Gary Hinners) Proposed Standard z23**

Upon request of the Transportation Service Provider (TSP), the Service Requester (SR) should furnish the applicable information requested in NAESB WGQ Standards [z1] and [z9] within three (3) business days along with an explanation for the unavailability of any applicable information. All information should be provided no later than fifteen (15) business days from the date of the TSP's request.

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### **Discussion**

Several participants expressed concern about the 15 business day limit for response to the TSP's request. Noting that the time needed to respond to a request was situational, the concept was dropped and a modified motion was proposed.

### **Modified Motion (motioned by Jim Downs, seconded by Gary Hinners)**

#### **Proposed Standard z23**

Upon request of the Transportation Service Provider (TSP), the Service Requester should furnish the applicable information requested in NAESB WGQ Standards [z1] and [z9], including an explanation for any unavailable information, within three (3) business days or such later date acceptable to the TSP.

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Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	6	2	0	0
Pipelines	14	2	0	0
Producers	1	1	0	0
Services	1	1	0	0
Totals	26	8	0	0

## **Motion passes – Abstentions from 5 Pipelines**

### **Motion (motioned by Jim Downs, seconded by Dolores Chezar)**

#### **Proposed Standard z24**

Within five (5) Business Days from the date the Service Requester (SR) receives Transportation Service Provider's (TSP) written request for credit alternatives pursuant to NAESB WGQ Standard [z11], the Service Requester (SR) should pay the TSP for one month of service charges in advance. The SR should have thirty (30) days to provide the form of a credit alternative pursuant to NAESB WGQ standard [z11] to continue service.

#### **Discussion**

Bill Griffith provided an example showing sequence of events that a Service Requester could be past due on a much as 2 months of service yet continue to receive service because of the option to pre-pay one month's service. Andy Dotterweich countered that there were situations where one month's service was excessive because the deficient amount (perhaps due to a credit downgrade) was less than the cost of one month's service. Jim Downs noted that the Commission has specifically asked NAESB to address this issue.

#### **Motion Withdrawn**

Mr. Griffith and Mr. Dotterweich were asked to provide examples as work papers for either a subsequent meeting or the record to provide further, more detailed explanation of the situations they referenced in their discussion.

### **Motion (motioned by Jim Downs, seconded by Dolores Chezar)**

#### **Proposed Standard z25**

A Transportation Service Provider (TSP) should provide a written response to Service Requester's (SR) credit re-evaluation request made pursuant to NAESB WGQ standard [z15] within five (5) Business Days. A TSP's creditworthiness re-evaluation determination should not exceed 20 Business Days from the date of TSP's receipt of a SR's re-evaluation request pursuant to NAESB WGQ standard [z14] and [z15].

#### **Discussion**

Many participants expressed that modifying Proposed Standard z15 would be a more productive course for discussion.

#### **Motion Withdrawn**

### **Motion (motioned by Jim Downs, seconded by Dolores Chezar)**

#### **Proposed Modified Standard z15**

After a Transportation Service Provider's (TSP) receipt of a Service Requester's (SR) request for re-evaluation, including all required information pursuant to NAESB WGQ Standards [z1], [z9], and/or [z14]

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("SR's Request"), within five (5) Business Days the TSP should provide a written response to the SR's Request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for the TSP's decision, or an explanation supporting a future date by which a re-evaluation determination will be made. In no event should such re-evaluation determination exceed twenty (20) Business Days from the date of the receipt of the SR's Request and the receipt of all information requested by the TSP pursuant to NAESB WGQ Standards [z1], [z9], and/or [z14]. The time limitations, as set forth in this standard, could be waived by the mutual agreement of the TSP and SR.

## Discussion

Mr. Downs, noting that the end of the meeting was approaching, withdrew the motion with the intention of resubmitting it at a subsequent meeting.

## Motion Withdrawn

## 7. Next Steps

Mr. Novak noted BPS will have a conference call on the 28<sup>th</sup> and that the Executive Committee, pending completion of a notational ballot, has added another item to the BPS creditworthiness work plan, II H. Maximum level of Credit Alternatives. As of today, discussion on the work plan for March 28, 2003 will continue on II. G. followed by II. H. Those wishing to add any other items to the workplan should contact the chairs by the close of business on the 21st.

## 8. Upcoming Meetings

3/28/2003	1p-4p CST	Conference Call	
4/04/2003	1p-4p CST	Conference Call	
4/15/2003	10a-6p CST	BPS Face-to-Face Meeting	Panhandle, Houston TX (5444 Westheimer)
4/16/2003	8a-2p CST	BPS Face-to-Face Meeting	Texas Eastern, Houston TX (5400 Westheimer)

## 9. Adjournment

Ms. Corcoran moved, seconded by Mr. Young, to adjourn the meeting on March 19, 2003 at 1:47 p.m. EST.

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## Meeting Attendees and Voting Record

Attendee	Organization	3/18	3/19	NAESB WGQ Member ?
<b>Pipelines:</b>				
Charlie Bass	Tennessee Gas Pipeline	√	√	√
Kathryn Burch	Duke Energy – Texas Eastern	√	√	√
Christopher Burden	Williams Gas Pipeline	Nv*	Nv*	√
Paul Cherry	Florida Gas Transmission	√	√	NO
Cynthia Corcoran	Enbridge	√	√	√
Dale Davis	Williams Gas Pipeline	√	√	√
Bill Griffith	Colorado Interstate Gas	√	√	√
Tom Gwilliam	Iroquois Gas Transmission System	√	√	√
Joe Kardas	National Fuel Gas Supply	√	√	√
Sharon Kimball	Wyoming Interstate	√	√	√
Iris King	Dominion Transmission	√	√*	√
Susan Lindberg	Duke Energy – Algonquin		√	NO
Paul Love	NGPL	√	√	√
Howard Nelson	ANR	√	√	√
Janie Nielsen	Kern River	√*	√*	√
Ken Nichols	PG&E Transmission	√*	√*	√
Dave Reitz	National Fuel Gas Supply	Nv	Nv	√
Donna Scott	Transwestern	√	√	√
Dixie Simonsen	Questar		√*	√
<b>Kim Van Pelt</b>	<b>Panhandle Eastern Pipeline</b>	<b>0</b>	<b>0</b>	<b>0</b>
Brian White	NiSource Pipelines	√	√	√
Mark Wilke	CMS Trunkline	√	√	NO
Brian Wilmoth	Northern Natural Gas	√	√	√
Randy Young	Gulf South Pipeline	√	√	√
<b>Services:</b>				
<b>Keith Sappenfield</b>	<b>Encana</b>	<b>0*</b>	<b>0*</b>	<b>0</b>
<b>Producers:</b>				
Jim Busch	BP	√	√	√
<b>Sheri Heslington</b>	<b>Dominion Exploration</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>End Users:</b>				
<b>Tina Burnett</b>	<b>Boeing</b>	<b>0*</b>		<b>0</b>
Kelly Daly	Arizona Public Service	√*	√*	√
Andy Dotterweich	Consumers Energy	√*	√*	NO
Jim Downs	Calpine	√	√	√
Kirstin Gibbs	Process Gas Consumers	√		NO
Gary Hinnars	Reliant	√	√	√
<b>LDCs:</b>				
Dolores Chezar	KeySpan	√	√	√

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Craig Colombo	Dominion LDCs	√	√	√
Jennifer Deegan	Washington Gas	√	√	√
Richard Ishikawa	Southern California Gas	√	√	√
Ken Maloney	KeySpan	Nv		√
<b>Mike Novak</b>	<b>National Fuel Gas Distribution</b>	<b>0</b>	<b>0</b>	<b>0</b>
Mark Valvanis	Baltimore Gas & Electric	Nv*		√
Steve Zavodnick	Baltimore Gas & Electric	√*	√*	√
<b>Associations:</b>				
Mariam Arnaut	American Gas Association	Nv	Nv	NO
Jane Lewis	American Gas Association	Nv	Nv	NO
Joan Dreskin	INGAA	Nv		NO
<b>NAESB Office:</b>				

**Bold signifies a BPS Chair**

\* Attended by phone

**Voting Key:    Y – Yes            N – No            A – Abstain            Nv – not voting**