

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

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, April 11, 2003
DATE: April 16, 2003

1. Administrative

Mr. Novak opened the meeting and gave the antitrust guidelines. Roll was called by segment. It was decided to postpone approval of revised final minutes from March 18-19, 2003 until the April 15-16, 2003 meeting. Ms. Van Pelt moved, seconded by Ms. Heslington to adopt the modified agenda. Upon a procedural vote the agenda was adopted as modified. Mr. White moved, seconded by Mr. Colombo, to adopt the April 4, 2003 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 Work Plan Item II G, Creditworthiness Timelines, excluding Construction. There were no proposals so discussion moved to work plan item II H - Maximum level of Credit Alternatives.

II. H - Maximum level of Credit Alternatives

Motion (motioned by Jim Downs, seconded by Kirstin Gibbs) Proposed Standard z28

The value of the SR's credit alternative(s) provided to Transportation Service Provider (TSP) pursuant to NAESB WGQ standard [z11] should not exceed three months of the estimated charges for TSP's service(s) for the SR during the term of the service agreement(s), unless such limitation is waived by the Federal Energy Regulatory Commission (or equivalent authority) for construction of new facilities.

Discussion:

The pipelines expressed anti-trust concerns regarding z28 and requested that this item be postponed until next Tuesday so that the pipelines can get anti-trust advice from counsel.

Concerns were voiced about the discussion of this proposal possibly bringing up antitrust issues. A request was made to the motion maker to withdraw the motion pending the acquisition of an opinion from antitrust counsel. Mr. Downs stated he did not wish to withdraw his motion. Several pipelines stated they would sign off the call if the BPS continued to discuss this motion. Ms. Van Pelt noted the pipelines have sought advice from an antitrust counsel on this issue and the earliest an opinion can be communicated is next Monday (April 14, 2003). She reiterated her desire that discussion on this motion be postponed. Mr. Hinners stated he does not believe there are any antitrust concerns involved with this motion. Ms. Gibbs said if antitrust counsel approves the discussion of this issue, she would like to place it on the agenda for Tuesday, April 15, 2003. Mr. Novak noted they do have additional proposals to discuss and suggested Mr.

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Downs withdraw his motion and introduce his other motion so the record can reflect the two motions in question and the concerns voiced regarding them. Mr. Novak expressed hope that the anti-trust issue would be resolved, one way or the other, before the next meeting opening the possibility that Mr. Down's motion could be reintroduced and discussed.

Mr. Downs preferred not to withdraw the motion so Mr. Novak, as chair, determined that the BPS will not consider proposed standard [z28] due to antitrust concerns.

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

Proposed Standard z29.

If a non-creditworthy Service Requester (SR) temporarily releases capacity to a non-creditworthy replacement shipper, the Transportation Service Provider (TSP) may require collateral from either the SR or the replacement shipper, or some combination of the two, with the collective total collateral requirement not to exceed three months of estimated service charges, or an alternative amount that has been expressly authorized by the Federal Energy Regulatory Commission (or equivalent authority) for that TSP to collect.

- (a) If a non-creditworthy SR temporarily releases capacity to a creditworthy replacement shipper, the SR's collateral obligations are suspended from the release date until 30 days prior to expiration of the release.

Discussion:

Mr. Nelson voiced similar concerns about antitrust issues regarding this motion, and additionally he stated the pipelines feel constrained when talking about the substance of this proposal during their own meetings, and without the pipelines being able to discuss these issues internally it is impossible to discuss it amongst the wider group. As with [z28], Mr. Downs preferred not to withdraw the motion so Mr. Novak, as chair, determined that the BPS will not consider proposed standard [z29] due to antitrust concerns.

Mr. Downs asked that the BPS to consult NAESB's general counsel as well as the antitrust counsel procured by the pipelines. It was noted by Mr. Downs that the opinion would have to come from a NAESB designated attorney. Ms. Van Pelt and Ms. Chezar stated the opinion should be from an anti-trust attorney. Ms. Chezar noted that a NAESB solicited opinion may have no affect on the pipeline or anyone's opinion since companies tend to follow the opinions of their own counsel in these matters. Mr. Novak promised to follow up on Mr. Down's request.

Motion (motioned by Jenny Deegan, seconded by Craig Colombo)

Proposed Standard z30

The Transportation Service Provider (TSP) should evaluate the creditworthiness status of a Replacement Shipper, applying the same measures and limits, as if that Replacement Shipper(s) was contracting for comparable capacity with the TSP directly.

Discussion

During discussion of the motion, the changes were made to the text of the proposal to accommodate concerns that were raised.

Modified Motion (motioned by Jenny Deegan, seconded by Craig Colombo)

Proposed Standard z30

With respect to non-permanent releases, the Transportation Service Provider (TSP) should evaluate the creditworthiness status of the Replacement Shipper(s) as if that Replacement Shipper(s) was applying for comparable capacity with the TSP outside of the capacity release process.

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Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	2.00	2.00	0.00	0.00
LDCs	6.00	2.00	0.00	0.00
Pipelines	11.00	2.00	0.00	0.00
Producers	1.00	1.00	0.00	0.00
Services	1.00	1.00	0.00	0.00
Totals	21.00	8.00	0.00	0.00

Motion passes (see vote 1 on the attendee list) - Recorded abstentions were as follows: LDCs – 1, Pipelines – 8, Producers – 1, End Users – 2.

Motion (motioned by Jenny Deegan, seconded by Craig Colombo)

Proposed Standard z31

A Transportation Service Provider (TSP) should pre-qualify potential Replacements Shipper(s) by evaluating the creditworthiness status of Service Requesters (SR) as it would the SR(s) was applying for comparable capacity with the TSP. To ensure that such SR be able to successfully bid on posted capacity release offers, it should pre-qualify its status as a potential replacement shipper with the TSP.

Discussion

During discussion, several changes were proposed to the language of the proposed standard. Some parties expressed a concern that this standard would reduce participation in the secondary market while others felt that they should be required to release capacity to non-creditworthy shippers. Still others offered the language should be restricted to non-permanent releases. Due to time constraints and after extended discussion, Ms. Deegan agreed to withdraw her motion pending further discussion at a later time.

3. Next Steps

It was agreed to defer the approval of the draft minutes from this meeting until the second day of the next meeting (April 16, 2003). Mr. Novak noted item II H will be on the agenda for the next meeting as well as a proposal under item II F. Mr. Novak suggested any individuals wishing to make clean-up contributions to the strawman take a look at the drafts posted on the NAESB web site at <http://www.naesb.org/bps.htm>. He stated BPS will probably take a final vote on the package some time during the meeting on April 16, 2003. Ms. Van Pelt stated that a conference call has been scheduled for Monday, April 21, 2003 (8:30am – 10:00pm) to approve minutes from the April 15-16 meeting.

4. Upcoming Meetings

4/15/2003	10a-6p CT	BPS Face-to-Face Meeting	Panhandle, Houston TX (5444 Westheimer)
4/16/2003	8a-2p CT	BPS Face-to-Face Meeting	Texas Eastern, Houston TX (5400 Westheimer)
4/21/2003	8:30a-10 CT	Conference Call	

5. Adjournment

Mr. Ishikawa moved, seconded by Mr. Downs, to adjourn the meeting on Friday, April 11, 2003 at 4:10 p.m. CDT.

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Meeting Attendees and Voting Record

Attendee	Organization	4/11	Vote 1	Vote 2	NAESB WGQ Member ?
Pipelines:					
Bob Boyle	Questar	√	Y	√	
Kathryn Burch	Duke Energy – Texas Eastern	√	Y	√	
Paul Cherry	Florida Gas Transmission	√	Y		NO
Mark Gracey	Tennessee Gas Pipeline	√	Y	√	
Bill Griffith	Colorado Interstate Gas	√	Y	√	
Tom Gwilliam	Iroquois Gas Transmission	√	Y	√	
Scott Hansen	Questar	Nv		√	
Lisa Halpenny	Dominion Transmission	√	Y	√	
Sharon Kimball	Wyoming Interstate	√	A	√	
Karen Lastovica	Northern Border Pipeline	√		√	
Paul Love	NGPL	√	A	√	
Howard Nelson	ANR	√	A	√	
Marcia Palazzi	PG&E Transmission	√	Y	√	
Dave Reitz	National Fuel Gas Supply	√	Y	√	
Donna Scott	Transwestern	√	Y	√	
Dixie Simonsen	Questar	Nv		√	
Kim Van Pelt	Panhandle Eastern Pipeline	0	A		0
Kelly Wachter	Williston Basin	√	A	√	
Brian White	NiSource Pipelines	√	A	√	
Brian Wilmoth	Northern Natural Gas	√	A	√	
Leldon Walenta	Williams Gas Pipeline	√	Y	√	
Randy Young	Gulf South Pipeline	√	A	√	
Services:					
Bill Hebenstreit	El Paso Merchant	√	Y	√	
Producers:					
Jim Busch	BP	√	A	√	
Sheri Heslington	Dominion Exploration	√	Y	√	
End Users:					
Jim Downs	Calpine	√	Y	√	
Kirstin Gibbs	Process Gas Consumers	√			NO
Gary Hinnners	Reliant	√	A	√	
Alan Johnson	Mirant	√	Y		NO
Cary Metz	Midland Cogeneration Venture	√	A	√	
LDCs:					
Dolores Chezar	KeySpan	√	A	√	
Craig Colombo	Dominion LDCs	√	Y	√	
Pete Connor	NiSource Distribution	√	Y	√	

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Jennifer Deegan	Washington Gas	√	Y	√
Mike Fredrickson	Pacific Gas & Electric	√	Y	√
Richard Ishikawa	Southern California Gas	√	Y	√
Amy Lee	NW Natural Gas	√		√
Mike Novak	National Fuel Gas Distribution	0	Y	0
Marilyn Specht Adeusi Poku	NiSource Distribution	Nv		√
Tim Oaks	UGI	√		NO
Associations:				
Mariam Arnaut	American Gas Association		Nv	NO
NAESB Office:				
Meghan McMillan				

Bold signifies a BPS Chair

Voting Key: Y – Yes

N – No

A – Abstain

Nv – not voting