

# 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 15-16, 2003**  
**DATE: April 21, 2003**

---

## 1. Administrative

Mr. Novak opened the meeting and gave the antitrust guidelines. Introductions were made in the room and on the phone. Mr. Novak noted that the adoption of the draft minutes from both the March 18, 2003 and April 11, 2003 meetings will take place on day two of the meeting. Mr. Downs stated he intended to reintroduce the standards from the previous meeting unless he is prevented by antitrust concerns. Mr. Love moved, seconded by Mr. Young to adopt the agenda as modified. Upon a procedural vote the modified agenda was adopted.

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

The BPS began discussion on Work Plan Item II H - Maximum level of Credit Alternatives. Mr. Sappenfield co-chaired the meeting with Ms. Van Pelt while Mr. Novak advocated the following proposed standard:

### **Motion (motioned by Mike Novak, seconded by Craig Colombo)** **Proposed Standard z31**

To ensure that a Service Requestor (SR) is able to successfully bid on posted capacity release offers, SR should pre-qualify its status with the Transportation Service Provider (TSP) as a potential replacement shipper. Upon request by the SR, a TSP should pre-qualify potential replacement shipper(s) for a certain transaction level as the TSP would if the SR was applying for comparable capacity with the TSP. In the event that the SR is determined by the TSP to have non-creditworthy status, either in general or for transactions above a certain volume or dollar amount, the non-creditworthy shipper can place a credit remedy contingency on its capacity release bid. Upon notification that the non-creditworthy SR is the winning bidder, the non-creditworthy SR has until the bid is awarded to post-collateral pursuant to NAESB WGQ Standard [z11] or otherwise make itself eligible to receive service pursuant to the TSP's tariff.

### **Discussion**

Mr. Novak explained that the while all potential replacement shippers should pre-qualify, there was a possibility that they would be the successful bidder on an offer that exceeded the limit justified by their creditworthiness status. The intent was to give the bidder an opportunity to provide assurance prior to the award within the timeline provide for by NAESB WGQ Standard 5.3.2. It was asked what would happen if the next bidder in line was not creditworthy. Mr. Novak explained that at some point the capacity release timeline would run out and an award might not be made if no bidders were creditworthy. There was concern that FERC had not provided policy on this issue and that the period was too short, perhaps counter to FERC pronouncements on the secondary market. Mr. Novak disagreed and pointed out that for example, a bidder

# 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

---

could provide a cash deposit or pre-payment within the time between the bid and the award and then provide another credit assurance such as a parent guarantee a few days later. Some felt the proposed procedure was too difficult to administer and that the potential replacement shipper, so long as it monitored where it stood relative to its credit limit, could adjust its credit standing to ensure being awarded a successful bid.

## **Modified Motion (motioned by Mike Novak, seconded by Craig Colombo)**

### **Proposed Standard z31**

As a pre-condition to bid on posted capacity release offers, the Service Requester (SR) should seek to pre-qualify its status with the Transportation Service Provider (TSP) as a potential replacement shipper. Upon request by the SR, the TSP should determine whether a potential replacement shipper is pre-qualified up to a requested level taking into account all obligations from services that it receives and requests from the TSP, including any service represented by the capacity release. Pre-qualifications are subject to periodic re-evaluation by the TSP.

<b>Segments</b>	<b>Vote For</b>	<b>Balanced For</b>	<b>Vote Against</b>	<b>Balanced Against</b>
End Users	0	0	4	2
LDCs	6	2	0	0
Pipelines	16	1.68	3	.32
Producers	1	1	0	0
Services	0	0	1	1
Totals	23	4.68	8	3.32

### **Motion passes**

Mr. Novak re-assumed co-chairing duties from Mr. Sappenfield. Before asking for another motion from the floor, Mr. Novak asked for participants who raised antitrust concerns regarding proposed standards [z28] and [z29] to speak on behalf of their opinion. Mr. Nelson stated an opinion letter was drafted, which confirmed that there was no problem with discussing proposed standards [z28] and [z29] at today's meeting.

Referencing a posted work paper, Mr. Sappenfield stated that Encana will not pursue its 4/02/2003 II. H. work paper because the revisions passed in standard z26 took care of their concerns. Moving on to other proposals, Mr. Novak noted an alternate proposal for [z28] has been drafted by Ms. Burch. He suggested they discuss Mr. Downs' motion and then let him withdraw his motion and discuss Ms. Burch's motion, which would then be withdrawn; at which point the BPS would decide how to pursue these two proposals. It was suggested Mr. Downs' proposed standard be labeled [z28a] and Ms. Burch's proposed standard be labeled [z28b].

## **Motion (motioned by Jim Downs, seconded by Keith Sappenfield)**

### **Proposed Standard z28a**

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.

# 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

---

## Discussion

Jim Downs explained this proposal followed Commission policy provided in several recent Orders. Others disagreed with this assessment and noted outstanding Requests for Rehearing. They also noted that even if the proposed standard was policy, this type of standard is not needed because there was no need to echo Commission policy.

### **Motion withdrawn (in order to discuss Duke Energy Gas Transmission's proposal)**

#### **Motion (motioned by Kathryn Burch, seconded by Bill Griffith)**

##### **Proposed Standard z28b**

Except as to a Service Requester (SR) that subscribes to service in connection with construction, expansion, acquisition or lease of new facilities, the Transportation Service Provider's tariff should specify the amount of alternative credit assurance that will be required of a SR that is not creditworthy.

## Discussion

Ms. Burch discussed that by requiring the TSP to state objectively in its tariff the amount of credit assurance required will ensure that (1) the requirements can readily be determined by referring to the tariff, (2) the criteria remain the same from customer to customer so that the pipeline does not act in an unduly discriminatory manner, (3) the requirements have been reviewed and approved by the Commission, and (4) the pipeline will have the flexibility to specify in its tariff an amount of credit assurance that is suited to its particular financial requirements. There was concern that this type of standard is not actually standardizing the process-that it's just telling the customer to go look at the TSP's tariff. It was also discussed that this standard accommodates what comes out of the rehearing process.

### **Motion withdrawn**

Following a coin flip, it was determined that Mr. Downs would re-motion his proposal first.

#### **Motion (motioned by Jim Downs, seconded by Keith Sappenfield)**

##### **Proposed Standard z28a**

Except as to a Service Requester (SR) that subscribes to service in connection with construction, expansion, or acquisition or lease of new facilities, the value of the SR's credit alternative(s) provided to the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standard [z11] should not exceed three months of the estimated charges for the TSP's service(s) for the SR during the term of the service agreement(s).

<b>Segments</b>	<b>Vote For</b>	<b>Balanced For</b>	<b>Vote Against</b>	<b>Balanced Against</b>
End Users	2	2	0	0
LDCs	0	0	4	2
Pipelines	0	0	19	2
Producers	1	1	0	0
Services	1	1	0	0
Totals	4	4	23	4

### **Motion fails (abstentions - 2 LDC)**

#### **Motion (motioned by Kathryn Burch, seconded by Bill Griffith)**

##### **Proposed Standard z28b**

Except as to a Service Requester (SR) that subscribes to service in connection with construction,

# 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

---

expansion, acquisition or lease of new facilities, the Transportation Service Provider's tariff should specify the amount of alternative credit assurance that will be required of a SR that is not creditworthy.

## Discussion

Mr. Connor expressed concern that either proposed standard combined with the lack of a ROFR term matching cap, could result in LDCs being out bid by less creditworthy shippers required only to provide credit assurances based upon a few months. For capacity constrained areas, these shippers could obtain market power over the LDC.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	2	2
LDCs	4	1.60	1	.40
Pipelines	10	2	0	0
Producers	0	0	1	1
Services	1	1	0	0
Totals	15	4.60	4	3.40

**Motion passes (abstentions - 1 LDC, 8 pipelines)**

## Motion (motioned by Jim Downs, seconded by Keith Sappenfield)

### 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

Several suggestions were made to modify the above motion. Mr. Downs decided not to accept any changes to the motion aside from a minor formatting change to make sub-part (a) into a separate paragraph in the standard.

## Modified Motion (motioned by Jim Downs, seconded by Keith Sappenfield)

### 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.

# 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

---

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.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	1	1	0	0
LDCs	0	0	6	2
Pipelines	0	0	18	2
Producers	0	0	1	1
Services	1	1	0	0
Totals	2	2	25	5

## Motion fails

There were no more proposals under Work Plan Item II H so discussion moved on to Workplan Item II F: Notification of a Releasing Shipper when its Replacement Shipper Receives a Notification Related to its Creditworthiness. Again, Mr. Sappenfield co-chaired the meeting with Ms. Van Pelt while Mr. Novak advocated the following proposed standard:

### Motion (motioned by Mike Novak, seconded by Pete Connor)

#### Revised Proposed Standard z20

The Transportation Service Provider (TSP) should provide a Releasing Shipper with Internet E-mail notification reasonably proximate in time of any 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.

## Discussion

Mr. Novak noted that relative to an earlier attempt to advance z20, default events were no longer included as a trigger for notification. Those opposed felt that contractual privacy prevented the type of notification sought by the proposed standard. After extended discussion during which no changes were made to the motion, Mr. Downs called the question.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	1	1
LDCs	4	2	0	0
Pipelines	0	0	12	2
Producers	1	1	0	0
Services	0	0	1	1
Totals	5	3	14	4

## Motion fails (abstentions - 2 LDCs)

### 3. Recess

The meeting recessed on April 15, 2003 at 6:25 p.m. CDT.

### 4. Day 2 Administrative

# 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

---

Mr. Novak opened the meeting and reminded participants of the antitrust guidelines. Introductions were made in the room and on the phone. Mr. Novak reviewed the changes made to the March 18-19, 2003 minutes. Ms. Chezar moved, seconded by Mr. Conner to adopt the revised final minutes. Upon a procedural vote the revised final minutes were adopted. Modifications were made to the April 11, 2003 draft minutes. Mr. Colombo moved, seconded by Mr. Love to adopt the modified draft minutes and attachment. Upon a procedural vote the modified draft minutes and attachment were adopted as final.

## 5. Review of Existing NAESB Standards & Strawman Cleanup

Mr. Novak asked if anyone noted any conflicts between what the BPS has developed and the existing NAESB standards. He suggested categorizing the standards as capacity release or general standards. Ms. Van Pelt suggested they look at the notices standards to see if there are any conflicts. She proposed the following categorizations for the proposed strawman standards: [z1] – [z15] credit, [z16] capacity release, [z17] credit, [z18] capacity release, [z19] credit, [z21] – [z22] capacity release, [z23] credit, [z26], [z30], [z31] capacity release. Mr. Novak suggested BPS review proposed clean-up changes before determining if there are any conflicts with existing NAESB standards.

The discussion then moved on to the Clean-up of Strawman Standards. Ms. Burch reviewed proposed clean-up changes outlined in the workpaper posted by Duke Energy Gas Transmission.

### **Motion (motioned by Kathryn Burch, seconded by Dolores Chezar)**

#### **Proposed Modified Standard z4**

Upon receipt of all credit information from the Service Requester (SR) ~~of all credit information~~ provided pursuant to a request for credit information from the Transportation Service Provider (TSP)(or in lieu thereof a response indicating why all information requested is not provided), the ~~Transportation Service Provider (TSP)~~ should notify the SR's authorized representative(s) that it has received such information. If the SR does not provide all the information requested by the TSP, the SR's response should indicate why all the credit information requested by the TSP is not provided. The TSP and the SR may mutually agree to waive to waive this requirement.

### **Modified Motion (motioned by Kathryn Burch, seconded by Dolores Chezar)**

#### **Proposed Modified Standard z4**

Upon receipt from the Service Requester (SR) of all credit information provided pursuant to a NAESB WGQ Standard [z6], request (or in lieu thereof a response indicating why all information requested is not provided), the Transportation Service Provider (TSP) should notify the SR's authorized representative(s) that it has received such information. The TSP and the SR may mutually agree to waive the this requirements s of this standard.

### **Clean Version**

#### **Proposed Modified Standard z4**

Upon receipt from the Service Requester (SR) of all credit information provided pursuant to NAESB WGQ Standard [z6], the Transportation Service Provider (TSP) should notify the SR's authorized representative(s) that it has received such information. The TSP and the SR may mutually agree to waive the requirements of this standard.

#### **Motion passes with no opposition**

### **Motion (motioned by Kathryn Burch, seconded by Paul Love)**

#### **Proposed Modified Standard z6**

# 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

---

The Service Requester's (SR) authorized representative(s) should respond to the Transportation Service Provider's (TSP) request for credit information, as allowed by the TSP's tariff, on or before the due date on the request for information from the TSP. The SR should provide the credit information requested by the TSP in the request for credit information or provide the reason(s) why any of the requested information was not provided.

## **Modified Motion (motioned by Kathryn Burch, seconded by Paul Love)**

### **Proposed Modified Standard z6**

The Service Requester's (SR) authorized representative(s) should respond to the Transportation Service Provider's (TSP) request for credit information, as allowed by the TSP's tariff, on or before the due date specified in the request. The SR should provide all the credit information requested by the TSP or provide the reason(s) why any of the requested information was not provided.

### **Clean Version**

### **Proposed Modified Standard z6**

The Service Requester's (SR) authorized representative(s) should respond to the Transportation Service Provider's (TSP) request for credit information, as allowed by the TSP's tariff, on or before the due date specified in the request. The SR should provide all the credit information requested by the TSP or provide the reason(s) why any of the requested information was not provided.

**Motion passes with no opposition**

## **Motion (motioned by Kathryn Burch, seconded by Mark Wilke)**

### **Proposed Modified Standard z3**

Upon receipt of a request ~~for information~~ from the Transportation Service Provider (TSP) for information to be used for the purpose of credit evaluation, the Service Requester's (SR) authorized representative(s) should ~~be required to~~ acknowledge receipt of the TSP's request. The TSP and the SR may mutually agree to waive this requirement.

### **Modified Motion**

### **Proposed Modified Standard z3**

Upon receipt of a request ~~for information~~ from the Transportation Service Provider (TSP) for information to be used for the purpose of credit evaluation, the Service Requester's (SR) authorized representative(s) should ~~be required to~~ acknowledge receipt of the TSP's request. The TSP and the SR may mutually agree to waive ~~the this~~ requirements of this standard.

### **Clean Version**

### **Proposed Modified Standard z3**

Upon receipt of a request from the Transportation Service Provider (TSP) for information to be used for credit evaluation, the Service Requester's (SR) authorized representative(s) should acknowledge receipt of the TSP's request. The TSP and the SR may mutually agree to waive the requirements of this standard.

**Motion passes with no opposition**

## **Motion (motioned by Kathryn Burch, seconded by Sharon Kimball)**

### **Proposed Modified Standard z2**

If the Transportation Service Provider (TSP) requests additional information to be used for purposes of credit evaluation after the initiation of service, the TSP should provide ~~the Service Requester (SR)~~

# 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

---

its reason(s) for requesting the additional credit information to the Service Requester (SR). The TSP and the SR may mutually agree to waive the this-requirements of this standard.

## **Modified Motion (motioned by Kathryn Burch, seconded by Sharon Kimball)**

### **Proposed Modified Standard z2**

If the Transportation Service Provider (TSP) requests additional information to be used for purposes of credit evaluation after the initiation of service, the TSP should provide the Service Requester (SR) its reason(s) for requesting the additional information to the Service Requester (SR). The TSP and the SR may mutually agree to waive the this-requirements of this standard.

### **Clean Version**

#### **Proposed Modified Standard z2**

If the Transportation Service Provider (TSP) requests additional information to be used for credit evaluation after the initiation of service, the TSP should provide its reason(s) for requesting the additional information to the Service Requester (SR). The TSP and the SR may mutually agree to waive the requirements of this standard.

#### **Motion passes with no opposition**

## **Motion (motioned by Kathryn Burch, seconded by Howard Nelson)**

### **Proposed Modified Standard z5**

The Service Requester (SR) should designate provide the Transportation Service Provider (TSP) with the Internet E-mail addresses of up to two authorized representatives who are designated authorized to receive notices notifications regarding the SR's creditworthiness pursuant to NAESB WGQ Standard [z4] and should provide to the Transportation Service Provider (TSP) the e-mail addresses of such representatives prior to the initiation of service. The obligation of the TSP to provide creditworthiness notifications is waived until the above requirement has been met. Affected pParties should manage internal distribution of such notices that are received.

## **Motion (motioned by Kathryn Burch, seconded by Howard Nelson)**

### **Proposed Modified Standard z5**

The Service Requester (SR) should designate provide the Transportation Service Provider (TSP) with the Internet E-mail addresses of up to two authorized representatives who are designated authorized to receive notices notifications regarding the SR's creditworthiness pursuant to NAESB WGQ Standard [z4] and should provide to the Transportation Service Provider (TSP) the Internet e-mail addresses of such representatives prior to the initiation of service. The obligation of the TSP to provide creditworthiness notifications is waived until the above requirement has been met. Affected parties The SR should manage internal distribution of any creditworthiness such notices that are received.

### **Clean Version**

#### **Proposed Modified Standard z5**

The Service Requester (SR) should designate up to two representatives who are authorized to receive notices regarding the SR's creditworthiness pursuant to NAESB WGQ Standard [z4] and should provide to the Transportation Service Provider (TSP) the Internet e-mail addresses of such representatives prior to the initiation of service. The obligation of the TSP to provide creditworthiness notifications is waived until the above requirement has been met. The SR should manage internal distribution of any creditworthiness notices that are received.

# 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

---

## Motion passes with no opposition

### Motion (motioned by Dolores, Chezar, seconded by Pete Connor)

#### Proposed Modified Standard z21

The ~~R~~releasing ~~S~~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 notifications related to Standard [z19] is waived until the above requirement has been met. ~~Affected parties—The releasing shipper~~ should manage internal distribution of such notices that are received.

#### Clean Version

#### Proposed Modified 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 notifications related to Standard [z19] is waived until the above requirement has been met. The releasing shipper should manage internal distribution of such notices that are received.

## Motion passes with no opposition

### Motion (motioned by Keith Sappenfield, seconded by Jim Downs)

#### Proposed Modified Standard z13

If the Service Requester (SR) provides cash as a credit alternative required by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standard [z11], the TSP should pay interest to the SR on the cash principal amount held by the TSP on the total amount of the cash received by the TSP ~~that exceeds one (1) month of the TSP's total service charges to the SR. This cash principal amount shall exclude the SR's one-month advance payment to the TSP to continue service after the TSP determines the SR to be non-creditworthy pursuant to TSP's tariff.~~ At the TSP's sole option and in lieu of the TSP paying interest, the TSP may allow the SR to choose to deposit a cash form of credit alternative in an escrow account where the SR will receive the interest on such cash and the TSP will have access to the cash principal for the assurance of payments to the TSP for its services provided to the SR in the event the SR fails to make such payments.

## Discussion

Mr. Young suggested, because this is a clean-up effort, the BPS not discuss any substantive changes to the standards at this time. He asked that Mr. Sappenfield withdraw his motion. Mr. Sappenfield stated the proposed change is meant to clarify the existing standard and not change its substance, and declined to withdraw his motion. Mr. Sappenfield offered several potential revisions to attempt to address various concerns raised during discussion. After extended discussion, Mr. Sappenfield decided to retain the original language of his motion.

### Modified Motion (motioned by Keith Sappenfield, seconded by Jim Downs)

#### Proposed Modified Standard z13

If the Service Requester (SR) provides cash as a credit alternative required by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standard [z11], the TSP should pay interest to the SR on the cash principal amount held by the TSP on the total amount of the cash received by the TSP ~~that exceeds one (1) month of the TSP's total service charges to the SR. This cash~~

# 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

---

principal amount should exclude the SR's one-month advance payment to the TSP to continue service after the TSP determines the SR to be non-creditworthy pursuant to the TSP's tariff. At the TSP's sole option and in lieu of the TSP paying interest, the TSP may allow the SR to choose to deposit a cash form of credit alternative in an escrow account where the SR will receive the interest on such cash and the TSP will have access to the cash principal for the assurance of payments to the TSP for its services provided to the SR in the event the SR fails to make such payments.

## Discussion

After more discussion, Mr. Downs called the question.

### Clean Version

#### **Proposed Modified Standard z13**

If the Service Requester (SR) provides cash as a credit alternative required by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standard [z11], the TSP should pay interest to the SR on the cash principal amount held by the TSP on the total amount of the cash received by the TSP. This cash principal amount should exclude the SR's one-month advance payment to the TSP to continue service after the TSP determines the SR to be non-creditworthy pursuant to the TSP's tariff. At the TSP's sole option and in lieu of the TSP paying interest, the TSP may allow the SR to choose to deposit a cash form of credit alternative in an escrow account where the SR will receive the interest on such cash and the TSP will have access to the cash principal for the assurance of payments to the TSP for its services provided to the SR in the event the SR fails to make such payments.

<b>Segments</b>	<b>Vote For</b>	<b>Balanced For</b>	<b>Vote Against</b>	<b>Balanced Against</b>
End Users	4	2	0	0
LDCs	3	2	0	0
Pipelines	0	0	14	2
Producers	2	2	0	0
Services	1	1	0	0
Totals	10	7	14	2

#### **Motion passes (2 LDC abstentions)**

Mr. Sappenfield discussed a posted work paper containing additional modifications regarding credit terminology, and suggested, due to time constraints, the BPS not take a vote on these modifications, but continue the discussion in order to have it on the record. There was an extended discussion concerning the proposed definitions (zA, zB, and zC). Conflicting terminology in recent FERC Orders was noted. Mr. Reitz suggested that perhaps NAESB should attempt to clarify the definitions for FERC. Mr. Sappenfield also noted that the proposed changes may go beyond cleanup and represent new substantive discussion.

### **Motion (motioned by Paul Love, seconded by Sharon Kimball)**

#### **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 Standard [z14] ("SR's Request"), within [x] 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

# 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

---

determination exceed [y] Business Days from the date of the receipt of the SR's Request. The values for [x] and [y] should be specified in the TSP's tariff.

## **Modified Motion (motioned by Paul Love, seconded by Sharon Kimball)**

### **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 Standard [z14] ("SR's Request"), within [x] 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 [y] Business Days from the date of the receipt of the SR's Request unless the parties mutually agree to some later date. The values for [x] and [y] should be specified in the TSP's tariff.

### **Clean Version**

#### **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 Standard [z14] ("SR's Request"), within [x] 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 [y] Business Days from the date of the receipt of the SR's Request unless the parties mutually agree to some later date. The values for [x] and [y] should be specified in the TSP's tariff.

<b>Segments</b>	<b>Vote For</b>	<b>Balanced For</b>	<b>Vote Against</b>	<b>Balanced Against</b>
End Users	3	2	0	0
LDCs	3	2	0	0
Pipelines	6	2	0	0
Producers	1	1	0	0
Services	0	0	0	0
Totals	13	7	0	0

### **Motion passes (Abstentions – 8 pipeline)**

Ms. Van Pelt then reviewed suggested grammatical and capitalization changes to several proposed standards:

#### **Proposed Modified Standard z1**

For credit evaluation purposes, the Service Requester (SR) should supply any of the following information as specified by the Transportation Service Provider (TSP):

Audited Financial Statements;

Annual Report;

Most recent filed statements with the Securities and Exchange Commission (or an equivalent authority) or such other publicly available information;

# 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

---

For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;

For non-public entities, including those that are state-regulated utilities, the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent;

For non-public entities, including those that are state-regulated utilities, an existing sworn filing, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority, showing the SR's current financial condition;

For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism which fully recovers both gas commodity and transportation capacity costs and is afforded regulatory asset accounting treatment in accordance with GAAP or equivalent;

List of Affiliates, Parent Companies, and Subsidiaries;

Publicly Available Credit Reports from Credit and Bond Rating Agencies;

Private Credit Ratings, if obtained by the SR;

Bank References;

Trade References;

Statement of Legal Composition;

Statement of Length of Time Business has been in Operation;

Such other information as may be mutually agreed to by the parties; and

Such other information as the TSP may receive approval to include in its tariff or general terms and conditions.

Non-public information supplied by the SR should be treated by the TSP as confidential.

## **Clean Version**

### **Proposed Modified Standard z1**

For credit evaluation purposes, the Service Requester (SR) should supply any of the following information as specified by the Transportation Service Provider (TSP):

Audited Financial Statements;

Annual Report;

Most recent filed statements with the Securities and Exchange Commission (or an equivalent authority) or such other publicly available information;

For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;

For non-public entities, including those that are state-regulated utilities, the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent;

For non-public entities, including those that are state-regulated utilities, an existing sworn filing, including the most recent available interim financial statements and annual financial

---

# 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

---

reports filed with the respective regulatory authority, showing the SR's current financial condition;

For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism which fully recovers both gas commodity and transportation capacity costs and is afforded regulatory asset accounting treatment in accordance with GAAP or equivalent;

List of Affiliates, Parent Companies, and Subsidiaries;

Publicly Available Credit Reports from Credit and Bond Rating Agencies;

Private Credit Ratings, if obtained by the SR;

Bank References;

Trade References;

Statement of Legal Composition;

Statement of Length of Time Business has been in Operation;

Such other information as may be mutually agreed to by the parties; and

Such other information as the TSP may receive approval to include in its tariff or general terms and conditions.

Non-public information supplied by the SR should be treated by the TSP as confidential.

## **Proposed Modified 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-that~~ clearly states the reason(s) for the TSP's decision.

## **Clean Version**

### **Proposed Modified 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 that clearly states the reason(s) for the TSP's decision.

## **Proposed Modified 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)- ~~that the~~ SR has filed for bankruptcy protection and/or is operating under any chapter of the bankruptcy laws;
- (2)- ~~that the~~ 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)- ~~that the SR's credit rating has been A-downgraded~~ by a credit rating agency within the last six months.

## **Clean Version**

### **Proposed Modified Standard z9**

# 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

---

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) that the SR has filed for bankruptcy protection and/or is operating under any chapter of the bankruptcy laws;
- (2) that the 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) that the SR's credit rating has been downgraded by a credit rating agency within the last six months.

## Proposed Modified Standard z10

For the Service Requester (SR) to receive initial service or to continue to receive 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 ~~s~~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.

## Clean Version

### Proposed Modified Standard z10

For the Service Requester (SR) to receive initial service or to continue to receive 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.

## Proposed Modified Standard z11

In the event that the Service Requester (SR) is determined to be non-creditworthy by ~~a~~the 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:

- ~~(#)(1)~~-        guarantee;
- ~~(#)(2)~~-        an irrevocable letter of credit; or
- ~~(#)(3)~~-        prepayment of service.

Such credit alternative(s) should be ~~(4)~~ 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.

# 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

---

## Clean Version

### Proposed Modified Standard z11

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

- (1) guarantee;
- (2) an irrevocable letter of credit; or
- (3) prepayment of service.

Such credit alternative(s) should be acceptable to the TSP, provided that the TSP's acceptance should not be unreasonably withheld, and 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.

### Proposed Modified Standard z16

The Transportation Service Provider (TSP) should allow an existing Service Requester (SR) to permanently release capacity to a ~~R~~replacement ~~S~~shipper, under the same terms and conditions of the ~~R~~releasing ~~S~~shipper's contract, or other mutually agreeable terms and conditions, provided the ~~R~~replacement ~~S~~shipper meets the TSP's creditworthiness and other tariff provisions applicable to the TSP's qualification of a SR to receive service. Such permanent release should be pursuant to the rules, regulations, and policies of the Federal Energy Regulatory Commission (or an equivalent authority) regarding capacity release transactions.

## Clean Version

### Proposed Modified Standard z16

The Transportation Service Provider (TSP) should allow an existing Service Requester (SR) to permanently release capacity to a replacement shipper, under the same terms and conditions of the releasing shipper's contract, or other mutually agreeable terms and conditions, provided the replacement shipper meets the TSP's creditworthiness and other tariff provisions applicable to the TSP's qualification of a SR to receive service. Such permanent release should be pursuant to the rules, regulations, and policies of the Federal Energy Regulatory Commission (or an equivalent authority) regarding capacity release transactions.

### Proposed Modified Standard z17

In complying with information requirements specified by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standards [z1] and [z9], the Service Requester (SR) should provide to the TSP the public documents that contain the required information. The public documents may be either the SR's public documents or, if the SR does not have the required documents, the public documents of the SR's parent company, to the extent that such documents contain the required information pertaining to the SR. If the SR provides its parent company's public documents to confirm the existence of an event specified in Standard [z9], the SR should specify where, in said public document, such information appears.

## Clean Version

### Proposed Modified Standard z17

# 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

---

In complying with information requirements specified by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standards [z1] and [z9], the Service Requester (SR) should provide to the TSP the public documents that contain the required information. The public documents may be either the SR's public documents or, if the SR does not have the required documents, the public documents of the SR's parent company, to the extent that such documents contain the required information pertaining to the SR. If the SR provides its parent company's public documents to confirm the existence of an event specified in Standard [z9], the SR should specify where, in said public document, such information appears.

## **Proposed Modified Standard z18**

A Transportation Service Provider (TSP) can terminate any release if the original Service Requester's (SR) underlying service agreement is terminated due to default or failure to maintain creditworthiness; provided, however, that the release shall not terminate if the replacement shipper agrees to pay, for the remaining term of the replacement shipper's contract, one of the following:

- (1) the original SR's contract rate,
- (2) the maximum tariff rate applicable to the original SR's capacity, or
- (3) some other rate that is acceptable to the TSP.

The TSP should give the replacement shipper notice before terminating service, as specified in the TSP's tariff. This standard does not address re-releases, which should be governed by the TSP's tariff.

## **Clean Version**

### **Proposed Modified Standard z18**

A Transportation Service Provider (TSP) can terminate any release if the original Service Requester's (SR) underlying service agreement is terminated due to default or failure to maintain creditworthiness, provided, however, that the release shall not terminate if the replacement shipper agrees to pay, for the remaining term of the replacement shipper's contract, one of the following:

- (1) the original SR's contract rate,
- (2) the maximum tariff rate applicable to the original SR's capacity, or
- (3) some other rate that is acceptable to the TSP.

The TSP should give the replacement shipper notice before terminating service, as specified in the TSP's tariff. This standard does not address re-releases, which should be governed by the TSP's tariff.

## **Proposed Modified Standard z22**

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

## **Clean Version**

### **Proposed Modified 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.

---

# 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

---

## **Proposed Modified Standard z30**

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

## **Clean Version**

### **Proposed Modified 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.

A unanimous vote was recorded to accept the changes to proposed standards z1, z7, z9, z10,z11, z16, z17, z18, z22 and z30.

## **6. Next Steps**

Ms. Van Pelt stated these proposed standards would be posted by Friday and then on Monday, April 21, 2003, the BPS will organize the standards and vote to send the proposal to the EC.

## **7. Upcoming Meetings**

4/21/2003      3:30p –5:00 CT      Conference Call

## **8. Adjournment**

The meeting adjourned on April 16, 2003 at 1:34 p.m. CDT.

# 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

## Meeting Attendees and Voting Record

Attendee	Organization	4/15	4/16	Vote 2	NAESB WGQ Member ?
<b>Pipelines:</b>					
Bob Boyle	Questar	√*			√
Kathryn Burch	Duke Energy – Texas Eastern	√	√		√
Paul Cherry	Florida Gas Transmission	√	√		NO
Hein Duong	Duke Energy – Algonquin	Nv	√		√
Mark Gracey	Tennessee Gas Pipeline	√	√		√
Bill Griffith	Colorado Interstate Gas	√	√		√
Lisa Halpenny	Dominion Transmission	√*	√*		√
Joe Kardas	National Fuel Gas Supply	√	√		√
Sharon Kimball	Wyoming Interstate	√	√		√
Karen Lastovica	Northern Border Pipeline	√*	√*		√
Susan Lindberg	Duke Energy – Algonquin	√	Nv		√
Paul Love	NGPL	√	√		√
Howard Nelson	ANR	√	√		√
Ken Nichols	PG&E Transmission	√	√		√
Marcia Palazzi	PG&E Transmission	Nv*			√
Dave Reitz	National Fuel Gas Supply	Nv	Nv		√
Donna Scott	Transwestern	√	√		√
Dixie Simonsen	Questar	Nv*	√*		√
<b>Kim Van Pelt</b>	<b>Panhandle Eastern Pipeline</b>	<b>0</b>	<b>0</b>		<b>0</b>
Brian White	NiSource Pipelines	√	√		√
Brian Wilmoth	Northern Natural Gas	√	√		√
Leldon Walenta	Williams Gas Pipeline	√	√		√
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>Sherri Heslington</b>	<b>Dominion Exploration</b>	<b>0*</b>	<b>0*</b>		<b>0</b>
<b>End Users:</b>					
Jim Downs	Calpine	√	√		√
Kirstin Gibbs	Process Gas Consumers	√*	√*		NO
Gary Hanners	Reliant	√	√		√
Alan Johnson	Mirant	√*	√*		NO
<b>LDCs:</b>					
Dolores Chezar	KeySpan	√	√		√
Craig Colombo	Dominion LDCs	√	√		√
Pete Connor	NiSource Distribution	√	√		√
Jennifer Deegan	Washington Gas		√		√

