

**Business Practice Subcommittee
Creditworthiness
Proposed Standards
Draft Minutes Attachment
April 21, 2003**

Proposed Standard 0.3.zA **(formerly 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 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 Standard 0.3.zB **(formerly 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.

Proposed Standard 0.3.zC**(formerly 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.

Proposed Standard 0.3.zD**(formerly 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.

Proposed Standard 0.3.zE**(formerly z4)**

Upon receipt from the Service Requester (SR) of all credit information provided pursuant to NAESB WGQ Standard [0.3.zD], 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.

Proposed Standard 0.3.zF**(formerly 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 [0.3.zE] 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.

Proposed Standard 0.3.zG**(formerly 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 Standard 0.3.zH**(formerly 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 downgraded by a credit rating agency within the last six months.

Proposed Standard 0.3.zI (formerly z23)

Upon request of the Transportation Service Provider (TSP), the Service Requester should furnish the applicable information requested in NAESB WGQ Standards [0.3.zA] and [0.3.zH], including an explanation for any unavailable information, within three (3) business days or such later date acceptable to the TSP.

Proposed Standard 0.3.zJ (formerly z17)

In complying with information requirements specified by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standards [0.3.zA] and [0.3.zH], 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 [0.3.zH], the SR should specify where, in said public document, such information appears.

Proposed Standard 0.3.zK (formerly z14)

At any time after the Service Requester (SR) is determined to be non-creditworthy by the Transportation Service Provider (TSP), the SR may initiate a credit status re-evaluation by the TSP. As part of the SR's re-evaluation request, the SR should either update or confirm in writing the prior information provided to the TSP related to the SR's credit status. Such update should include any substantial event(s) that the SR believes could lead to a change in the SR's credit status.

Proposed Standard 0.3.zL (formerly 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 [0.3.zK] ("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.

Proposed Standard 0.3.zM (formerly 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 [0.3.zN],
- (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 Standard 0.3.zN**(formerly 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 Standard 0.3.zO**(formerly 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.

Proposed Standard 0.3.zP**(formerly z13)**

If the Service Requester (SR) provides cash as a credit alternative required by the Transportation Service Provider (TSP) pursuant to NAESB WGQ Standard [0.3.zN], 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.

Proposed Standard 5.3.zA**(formerly 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 Standard 5.3.zB**(formerly 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.

Proposed Standard 5.3.zC**(formerly 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.

Proposed Standard 5.3.zD**(formerly z26)**

The Transportation Service Provider (TSP) should not award capacity release offers to the Service Requester (SR) until and unless the SR meets the TSP's creditworthiness requirements applicable to all services that it receives from the TSP, including the service represented by the capacity release.

Proposed Standard 5.3.zE**(formerly 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 Standard 5.3.zF**(formerly 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) 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.

Proposed Standard 5.3.zG**(formerly 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 [5.3.zF]. The obligation of the TSP to provide notifications related to Standard [5.3.zF] is waived until the above requirement has been met. The releasing shipper should manage internal distribution of such notices that are received.

Proposed Standard 5.3.zH**(formerly z22)**

In complying with the notifications pursuant to NAESB WGQ Standard [5.3.zF], the releasing shipper and the Transportation Service Provider may mutually agree to other forms of communication in lieu of Internet E-mail notification.