

# North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002  
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com  
Home Page: www.naesb.org

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**TO: Interested Industry Participants**  
**FROM: BPS Chairs (Tina Burnett, Mike Novak, Kim Van Pelt, Producer vacancy, Services vacancy)**  
**Rae McQuade, Executive Director**  
**RE: Final Minutes from the Business Practices Subcommittee Meeting, November 6-7, 2002**  
**DATE: December 3, 2002**

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## 1. Administrative<sup>1</sup>

Mr. Novak and Ms. Van Pelt opened the meeting. Ms. Van Pelt gave the anti-trust advice. Participants in the meeting and on the conference call introduced themselves. The agenda was adopted.

It was discussed that if issues arise which are questioned as policy, they will be noted in the minutes and deferred for discussion by the Executive Committee.

## 2. Develop Work Plan to Accomplish 2002 Annual Plan Item #11

Develop Creditworthiness Standards pursuant to an Annual Plan item. Such development should be restricted to implementation of existing Commission policy, new Commission policy after it has been ordered and non-policy oriented aspects of Creditworthiness.

### Discussion Points:

1. Timeline – work backwards from the Commission deadline of June 1, 2003
2. What does “generic standard” mean (term used by FERC in the individual pipeline orders on creditworthiness)?
3. Where has FERC established policy related to creditworthiness?
4. Do “generic standards” exist? Common Business Practices (non-policy)
5. Does the industry need generic standards?

It was noted that at least two requests for rehearing have been filed with the commission and that we should keep that in mind. It was also noted that some creditworthiness policy is still in flux.

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<sup>1</sup> Each BPS meeting regarding Creditworthiness is being transcribed. For a full accounting of the discussion from today's meeting, contact the NAESB office or the NAESB Web site for information on ordering the transcript. These minutes will record the discussion points, motions, and voting results. The detailed discussion is captured in the transcripts.

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## **Timeline** (all dates are approximate)

- |    |                                      |          |
|----|--------------------------------------|----------|
| 1. | WGQ EC Approval of Workplan          | 12/12/02 |
| 2. | BPS Meetings Begin                   | 01/20/03 |
| 3. | WGQ EC Comment Period Begins         | 02/21/03 |
| 4. | WGQ EC Comments Due                  | 03/21/03 |
| 4. | WGQ EC Meeting                       | 04/09/03 |
| 5. | WGQ Member Ratification Begins       | 04/15/03 |
| 6. | WGQ Member Ratification Ends         | 05/15/03 |
| 7. | Editorial Review Board Drafts Report |          |
| 8. | NAESB Report Sent to FERC            | 06/01/03 |

It was noted that these dates do not take into account fully staffing any proposed standards. In other words, any standards that are proposed will not go to the Information Requirements Subcommittee or Technical Subcommittee, or any other type of subcommittee, for detailed implementation work. The “full staffing” aspect of the standards development will have to come after ratification and report to FERC.

It was also discussed that in order to gain a few additional weeks to work on any standards development, the EC could shorten the comment period.

## **What does “generic standard” mean?**

1. Objective
2. Non-discriminatory (there was concern about having this up there; that either it's inappropriate or the words are wrong—“not undue discrimination” was also offered)
3. What is the scope of what might be developed?
4. Generally Applicable
5. Uniform Guidelines

## **Where has FERC established policy?**

1. Survey existing policy
  - a. tariff based

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- b. generally applicable FERC policy
2. Identify where FERC policy decisions are needed to proceed.

Question:

Is enough policy available?

Action:

Do a "survey".

Extensive discussion was held as to what this subcommittee should accomplish and as to whether commission policy exists so that standardization can occur. Please refer to the transcript for the detailed discussion.

Potential Items for Work Plan

1. Identify Creditworthiness Criteria
2. Due Process Rights for Credit Applicant
3. Notification Requirements
4. Payment Assurance Amounts
5. Types of Collateral
6. Information Requirements
7. Re-establishment of Creditworthiness Status
8. Capacity Release Notification to Affected Shippers (when replacement shippers are found non-creditworthy)
9. Replacement Shipper Rights
10. Default Remedies
11. Means to Cure
12. Creditworthiness Timelines
13. Allocation of Capacity Release Revenues
14. Releasing Shipper Creditworthiness Criteria

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It was discussed that the items listed above don't necessarily appear to be a work plan, but specific items under broad work plan items. Another work plan was offered.

## Proposed Work Plan

- A. Catalog FERC Policy via Orders
- B. Catalog Pipeline Tariff Provisions
- C. Timeline
- D. Develop List of Common Provisions
- E. Report to FERC
- F. Review Impact on Existing NAESB WGQ Standards, e.g. Gas Purchase Contract
- G. Examine Other Industries (policy??)
- H. Develop List of Pros and Cons of Standards Development
- I. Identify/Develop "Same" Documents that can be submitted to every pipeline to obtain capacity

There was extensive discussion as to the scope of the effort we are undertaking. Many felt that the items listed above are policy related and that the only things we should consider in relation to these discussion items are the communication of this type of information. Others felt that the items listed above are policy related and that nothing should be considered. There was also confusion and disagreement among some participants as to what we at NAESB should be doing.

An extensive conversation was held with Jay Costan, NAESB attorney, as to the issues of standardizing creditworthiness in regards to anti-trust, advocacy, and policy. The details of this conversation can be obtained through the transcript.

The pipeline work paper was introduced. See posted work paper. It was discussed that the list of items was proposed for evaluation of standardization to the extent that the items were based on either existing or new Commission policy. It was also discussed that the "1-14" list above are items where policy has not been established, except for the Information Requirements (6) item. Some parties felt that it would be necessary to research existing pipeline tariffs. The following items were offered as research areas.

- I. Research
  - A. Catalog FERC Policy via Orders (e.g. rulemakings, individual pipeline orders)
  - B. Catalog Pipeline Tariff Provisions to Develop a List of Common Provisions
  - C. Evaluate Posted and Public Information, if available
  - D. Review Existing NAESB WGQ Standards
  - ~~E. Examine Non-policy Oriented Aspect of Creditworthiness in use by interstate pipelines~~

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It was suggested that a team be put together to do the create a methodology for evaluation/research and to do the research. It was suggested that the team be made up from one person from each segment. Cynthia Corcoran, Enbridge, volunteered to be the pipeline representative.

It was requested that we evaluate credit methodologies from other industries. Discussion turned to what was meant by the addition of examining other industries credit policies means.

The question came up as to what was intended as non-policy items in relation to item E. After some discussion, it was proposed that we take a balanced vote on whether item E should be included in the "research", but it was withdrawn due to the inclusion of "in use by interstate pipelines."

## Motion (Bill Griffith, seconded by Randy Young)

- I. Timeline
- II. To the extent these items are based on existing Commission policy and new Commission policy after it has been ordered, the following items may be evaluated for creditworthiness standardization.
  - A. Type of information that the service requester should supply for creditworthiness evaluation
  - B. Type of confirmations and notification that the service requester should supply for creditworthiness
  - C. Types of alternative credit assurances
  - D. Capacity Release non-discrimination and termination procedures
- III. FERC Report

It was discussed that, without research, some parties couldn't support this proposed work plan. It was proposed to add item A and B under Research to the pipeline work plan. The requested amendment was denied by the motioner. The seconder offered that this work plan is doable in the context of the timeline that was discussed. Some parties felt that the FERC deadline was not a deadline for standards development and that we could just report where we are in the process.

### Amended Motion:

Amend the motion that the pipeline proposed work plan would be presented as a strawman that will be reviewed and be dealt with at the next scheduled meeting.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	1	1	0	0
LDCs	5	2	0	0
Services	2	2	0	0
Pipelines	11	2	0	0
Producers	1	1	0	0
<b>Totals</b>	<b>20</b>	<b>8</b>	<b>0</b>	<b>0</b>

**Motion passes**

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### 3. Next Steps

Strawman will be discussed at the next meeting.

### 4. Upcoming Meetings

Randy Young has reserved meeting space for December 3 and 4. It was observed that AGA already has a meeting scheduled and that December 4 and 5 at AGA would be better. Pete Connor also proposed NiSource in Columbus, Ohio for December 4 and 5. The meeting date and location will be firmed up and posted as soon as possible.

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## Meeting Attendees and Voting Record

Attendee	Organization	11/06	11/07	NAESB Member?
<b>Pipelines:</b>				
<b>Kim Van Pelt</b>	<b>CMS-Panhandle Eastern</b>	√	√	√
Mark Wilke	CMS-Trunkline Gas Company	√	√	X
Kathryn Burch	Duke Energy-Texas Eastern	√	√	√
Mark Gracey	Tennessee Gas Pipeline	√	√	√
Bill Griffith	Colorado Interstate	√	√	√
Sharon Kimball	Wyoming Interstate Gs	√	√	X
Charlie Bass	ANR Pipeline	√	√	√
Roger Reyna	NiSource Inc.	√	√	
Randy Young	Gulf South Pipe Line LP	√	√	√
Christopher Burden	Williams Gas Pipeline	√	√	√
Dale Davis	Williams Gas Pipeline	√	√	√
Gene Fava	Great Lakes Gas Transmission	√	√	√
Paul Love	Natural Gas Pipeline	√	√	√
Joe Kardas	National Fuel Gas Supply	√	√	√
Jamie Hartenbach	NiSource Inc.	√	√	
Howard Nelson	El Paso Corp	√	√	
Kelly Wachter (phone)	Williston Basin	√	√	
Tom Gwilliam (phone)	Iroquois Gas Transmission	√	√	
Janie Nielsen (phone)	Kern River	√	√	
Larry Jensen (phone)	Shell Gas Transmission	√	-	
Chuck Cook (phone)	Shell Gas Transmission	√	-	
Karen Latovica (phone)	Northern Border	√	-	
Iris King (phone)	Dominion Transmission	√	-	
Donna Scott (phone-day 1)	Transwestern	√	√	
Michele Winckowski (phone)	Northern Natural Gas	√	√	
Rita Homan (phone)	Northern Border Pipeline Co	-	√	
Prince McDougal (phone)	Southern Natural Gas	√	-	
Paul Cherry (phone)	Florida Gas Transmission	-	√	
Cynthia Corcoran	Enbridge			
<b>Services:</b>				
Tammy Lee Jacquet	Duke Energy Trading & Mktg	√	√	√
Keith Chesnutt	CMS Energy MS&T	√		X
Miguel Correa	CMS Energy	√		X
Don Fishbeck	El Paso	√		X
Georgia Carter	Virginia Power Energy Mktg	√	√	X
Oliver Burke (phone)	Energy	√		
Harold Loomis (phone)	PJM Interconnection	√	√	
Cathy Szasz (phone)	AEP Energy Services	√		
Keith Sappenfield (phone)	Encana Energy Services	√	√	
Suzanne Calcagno (phone)	UBS Warburg Energy	√		
Lisa Groff (phone)	AEP	√	√	
Susan Ginsberg (phone)	El Paso Corp	√		
Vincent Palmeri (phone)	AIG		√	

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<b>Producers:</b>				
Richard Smith	Exxon/Mobil	√	√	
Lauren Kaestner (phone)	BP Amoco		√	
Sheri Heslington	Dominion E&P	√	√	
<b>End Users:</b>				
Alan Johnson	Mirant Corp	√	√	√
Charlie Earthman	Carpine Energy Services	√	√	√
Jim Downs	Carpine Energy Services	√	√	√
DeDe Russo	Reliant	√	√	√
Gary Hinners	Reliant Energy Services	√	√	√
Charles Yeung	Reliant Resources	√	√	√
Kirstin Gibbs	Process Gas Consumers	√	√	
<b>LDCs:</b>				
<b>Mike Novak</b>	<b>National Fuel Gas Dist</b>	√	√	√
Pete Connor	NiSource	√	√	√
Tom Connery	Peoples Energy	√	√	
Dolores Chezar	KeySpan	√	√	√
Kim Decell	Rep. WE Energies	√	√	√
Craig Colombo	Dominion Resources	√	√	√
Steve Sullivan (phone)	Con Edison	√		√
Andy Dotterweich (phone)	Consumers Energy	√	√	
Jennifer Deegan (phone)	Washington Gas and Light Co	√		√
Ashish Mehta (phone)	Baltimore Gas & Electric	√	√	
Frank Markle (phone)	UGI	√		
Leslie Mohr (phone)	Excel Energy	√		
Bob Betonte (phone)	San Diego Gas	√	√	
Rick Ishikawa (phone)	SoCal Gas	√	√	
<b>Associations:</b>				
Mariam Arnaout	American Gas Association	√	√	√
<b>GISB Office:</b>				

**Bold signifies a BPS Chair**

**nv – not voting**