

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

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, December 3-4, 2002
DATE: December 17, 2002

1. Administrative¹

Mr. Novak and Ms. Van Pelt opened the meeting. Mr. Novak gave the anti-trust advice. Participants in the meeting and on the conference call introduced themselves. The agenda was adopted as posted. The minutes from the November 6-7 meeting were modified and adopted.

2. Continue Development

The subcommittee proceeded to develop a work plan to develop creditworthiness standards, pursuant to an annual plan item, limiting the scope of the standards to existing Commission policy, new Commission policy on creditworthiness (after it has been ordered) and non-policy oriented aspects of creditworthiness.

BPS reviewed the process for today's meeting in developing the work plan:

Agreed to use the work paper presented by the Pipeline Segment for the November 6-7 meeting as a "strawman" for the work plan and going through each of the work plan items (identified within November 6-7 minutes as Potential Items for Work Plan 1 – 14 and Proposed Workplan A – I) that were suggested during the brainstorming session by going through the following three steps:

1. Determine whether it should be on the work plan? Take a balanced-by-segment vote on each of the proposed items for the proposed Creditworthiness Standards Work Plan.
2. If so, determining where on the work plan it belongs? Vote procedurally (simple majority vote) on this matter for each of the items.
3. Complete meeting by voting on the completed work plan as a recommendation to be made to the WGQ Executive Committee at its December 12 meeting.

The question was asked as to whether the information that the service requester has to supply, which is specified by the individual pipeline, is based upon FERC policy. It was acknowledged that pipeline tariffs specify the type of information to be supplied to the pipeline for credit consideration. There was confusion as to whether what is in pipeline tariffs is considered policy or whether policy is only what is contained in FERC orders.

¹ 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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It was noted that the short timeline of the work plan (one month to develop and recommend standards; please refer to timeline below) precluded the BPS Subcommittee from conducting a cataloging of existing creditworthiness tariff provisions and Commission policy, as suggested during the previous meeting. It was suggested instead that individuals proposing specific standards could research the tariffs of pipelines and FERC policy on the subject and present their findings in a work paper for a BPS meeting on the topic.

Proposed Strawman Work Plan

- 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

Potential Items for Work Plan

1. Identify Creditworthiness Criteria

Discussion

Calpine offered this item originally and explained it as how the creditworthiness evaluation is performed by the pipeline. Calpine explained that the item doesn't necessarily need to be standardized across pipelines, but should be specified in the pipeline tariff. There was discussion that different pipelines have different creditworthiness tolerance levels and that creditworthiness criteria is constantly changing based on the customer and other activities in the industry. There was some support for specifying the type of information that should be supplied, but not agreement as to specifying how the pipeline evaluates creditworthiness criteria.

The item "Identify Creditworthiness Criteria" was modified to "Enumeration of Transportation Service Provider (TSP) Creditworthiness Evaluation Process in TSP Tariff".

Motion (Craig Chancellor motioned, seconded by Kirstin Gibbs)

Add Item 1 which has been modified to "Enumeration of Transportation Service Provider (TSP) Creditworthiness Evaluation Process in TSP Tariff" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	5	2	0	0
LDCs	0	0	10	2

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Services	2	2	0	0
Pipelines	0	0	17	2
Producers	0	0	0	0
Totals	7	4	27	4

Motion fails

2. Due Process Rights for Credit Applicant

Discussion

Calpine explained that currently, the pipeline can request information to do a credit evaluation at any time. Calpine would like to see the customer being able to request a re-evaluation of their credit. It was explained that the point of the evaluation would be to lower the assurances and/or have them returned. It was discussed that some felt that there must be some kind of change in credit status that would cause this request for re-evaluation and that the customer couldn't just ask for one repeatedly for no reason. Others felt that the customer should be able to ask for a credit re-evaluation at any time and that they probably wouldn't do so unless there was a real reason for it. It was suggested that different terminology was needed to better describe the concept the motion maker substituted Due Process Rights for Credit Applicant with the term Customer Initiated Credit Re-evaluation.

Motion (Craig Chancellor, seconded by Gary Hanners)

Add Item 2 which has been modified to "Customer Initiated Creditworthiness Re-evaluation" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	8	1.78	1	.22
Services	2	2	0	0
Pipelines	15	1.87	1	.13
Producers	0	0	0	0
Totals	29	7.65	2	.35

Motion passes (In addition, there was 1 end user abstention.)

Motion (Bill Griffith motioned, seconded by Dolores Chezar)

Add "Customer Initiated Creditworthiness Re-evaluation" item to the work plan as a bullet under II. C.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	10	2	0	0
Services	2	2	0	0
Pipelines	14	1.87	1	.13
Producers	0	0	0	0
Totals	30	7.87	1	.13

Motion passes

Process issue – It was suggested that, in the interest of time, if there was no opposition to where an item should be placed, it would not be necessary to take a balanced vote. Instead, the vote would be recorded as unanimous. If there was opposition, a balanced vote would be conducted.

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3. Notification Requirements

Discussion

Calpine would like to see standards developed as to “who, what, when, where, why, and how” a customer is no longer creditworthy. It was added that there should be a notice and it should be specified in the tariff. There was confusion as to what the “when” means. There was concern that the “when” means that a pipeline would forfeit its right to find a shipper not creditworthy if it missed a “standard” deadline. Several parties made it clear that they would not be able to vote in favor of the motion if it included a “when” component because they could not agree to a deadline for an unknown triggering event. They suggested an amendment to the motion as follow: “Notification requirements will not take into consideration deadlines for notification.” The motion-maker did not accept the proposed amendment. The item “Notification Requirements” was modified to “Notice Requirements with Respect to a Determination that a Shipper is not Creditworthy”.

Motion (Craig Chancellor motioned, seconded by Georgia Carter)

Add Item 3 which has been modified to “Notice Requirements with Respect to a Determination that a Shipper is not Creditworthy” to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	5	2	0	0
LDCs	7	1.56	2	.44
Services	2	2	0	0
Pipelines	1	.14	13	1.86
Producers	0	0	0	0
Totals	15	5.7	15	2.3

Motion passes

Motion (Craig Chancellor motioned, second by Kirstin Gibbs)

Add “Notice Requirements with Respect to a Determination that a Shipper is not Creditworthy” item to the work plan as item II. E.

Motion passes unanimously

4. Payment Assurance Amounts

Discussion

Calpine described this item as what is the proper assurance amounts based on whether the customer is creditworthy or not. It was discussed that this item is a definitely a policy issue. It was also discussed that some parties feel that if a party is found not creditworthy, the pipeline should only be able to ask for assurances up to specified limits. Several participants pointed out that the circumstances of Service Requesters varied and thus levels of assurances could not be standardized.

Motion (Craig Chancellor motioned, seconded by Gary Hinners)

Add Item 4 “Payment Assurance Amounts” to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	5	2	0	0
LDCs	0	0	8	2

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Services	1	1	1	1
Pipelines	0	0	18	2
Producers	0	0	0	0
Totals	6	3	27	5

Motion fails

5. Types of Collateral

Motion (Dolores Chezar motioned, seconded by Joe Kardas)

Item 5 is already included in the work plan as II. C.

Motion passes unanimously

6. Information Requirements

Motion (Craig Chancellor motioned, seconded by Steve Sullivan)

Item 6 is already included in the work plan as II. A.

Motion passes unanimously

7. Re-establishment of Creditworthiness Status

Motion (Craig Chancellor motioned, seconded by Steve Sullivan)

Item 7 is already included in the work plan as the bullet "Customer Initiated Creditworthiness Re-evaluation" under II. C.

Motion passes unanimously

8. Capacity Release Notification to Affected Shippers (when replacement shippers are found non-creditworthy)

Discussion

KeySpan discussed that they would like this item to be added to the work plan so that the releasing shipper would get notification from the Transportation Service Provider when the TSP notifies the replacement shipper because the releasing shipper is on the hook for the demand charges.

Capacity Release Notification to Affected Shippers (when replacement shippers are found non-creditworthy) was modified to Notification to a Releasing Shipper when its Replacement Shipper Receives a Notification Related to its Creditworthiness Status

Motion (Delores Chezar motioned, seconded by Steve Sullivan)

Add Item 8 which has been modified to "Notification to a Releasing Shipper when its Replacement Shipper Receives a Notification Related to its Creditworthiness Status" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	2	0	0
LDCs	9	2	0	0
Services	2	2	0	0

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Pipelines	14	2	0	0
Producers	0	0	0	0
Totals	28	8	0	0

Motion passes

Motion (Iris King motioned, seconded by Georgia Carter)

Add "Notification to a Releasing Shipper when its Replacement Shipper Receives a Notification Related to its Creditworthiness Status" item to the work plan as item II. F.

Motion passes unanimously

9. Replacement Shipper Rights

Discussion

Replacement Shipper Rights was modified to Replacement Shipper's Rights when its Releasing Shipper's Contract is Terminated Due to its Creditworthiness

Motion (Kirstin Gibbs motioned, seconded by Georgia Carter)

Add Item 9 which has been modified to "Replacement Shipper's Rights when its Releasing Shipper's Contract is Terminated" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	10	2	0	0
Services	2	2	0	0
Pipelines	12	1.71	2	.29
Producers	0	0	0	0
Totals	28	7.71	2	.29

Motion passes

Motion (Iris King motioned, seconded by Dolores Chezar)

Add "Replacement Shipper's Rights when its Releasing Shipper's Contract is Terminated" item to the work plan as a bullet under II. D.

Motion passes unanimously

10. Default Remedies

Discussion

Default remedies was described as strictly related to non-payment of a bill. It was felt by some that default remedies and means to cure item are currently under review by the Commission and should not be discussed in this forum.

Motion (Kirstin Gibbs motioned, seconded by Craig Challencor)

Add Item 10 "Default Remedies" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0

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LDCs	0	0	10	2
Services	1	1	0	0
Pipelines	0	0	17	2
Producers	1	1	0	0
Totals	6	4	27	4
Motion fails				

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11. Means to Cure

Motion (Howard Nelson motioned, seconded by Steve Sullivan)

Item 11 is already included in the work plan as the bullet "Customer Initiated Creditworthiness Re-evaluation" under II. C.

Motion passes unanimously

12. Creditworthiness Timelines

Discussion

Calpine explained that this item has to do with the different timelines of when collateral is due; when assurances are due; also with respect to new pipeline construction. For transportation, when is it due; i.e., 10 days, 5 days, etc. It was also explained as "all the steps in the process for giving credit approval." Calpine suggested that timelines across tariffs could be standardized.

It was felt by some that the explanation given by Calpine is policy and shouldn't be discussed in this forum. Others felt that the timeline itself shouldn't be standardized, but that each pipeline should specify its timeline in their tariff. It was also discussed that standardization of this process might hurt parties in negotiating what is best for all parties in new construction.

Calpine explained that should be standards related to keeping a pipeline from being over-collateralized.

It was expressed by some that there should be some default minimums and others felt that these minimums should be established by FERC.

There was major concern about the construction aspect of the discussion. It was noted that NAESB had no precedent dealing with pipeline construction—that perhaps the new construction element was outside NAESB scope. Several viewed this as a policy issue, more appropriate for FERC. After a caucus break, the motion makers modified their motion to exclude construction. There was still concern about the prospect of trying to require a "cookie cutter" approach/standardized timeline for all pipelines rather than trying to have each pipeline specify its timeline in its tariff.

Motion (Craig Challencor motioned, seconded by Gary Hinners)

Add Item 12 which has been modified to "Creditworthiness Timelines, excluding Construction" to the work plan.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	4	2	0	0
LDCs	7	1.27	4	.73
Services	2	2	0	0
Pipelines	0	0	19	2
Producers	1	1	0	0
Totals	14	6.27	23	2.73

Motion passes

Motion (Craig Chancellor motioned, seconded by Gary Hinners)

Add "Creditworthiness Timelines, excluding Construction" item to the work plan as item II. G.

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Motion passes unanimously

13. Allocation of Capacity Release Revenues

Discussion

There was discussion as to whether revenues received from replacement shippers should be allocated first to commodity charges or reservation charges and whether or not standardization should be considered.

Motion (Pete Connor motioned, seconded by Craig Chancellor)

Add Item 13 which has been modified to "Allocation of Capacity Release Revenues, excluding Bankruptcy" to the work plan.

Motion withdrawn

Motion (Andy Dotterweich motioned, seconded by Donna Scott)

There is no need to add Item 13 to the work plan.

Motion passes unanimously

14. Releasing Shipper Creditworthiness Criteria

Motion (Andy Dotterweich motioned, seconded by Randy Young)

There is no need to add Item 14 to the work plan.

Motion passes unanimously

The subcommittee then reviewed the work plan items that had been offered at the last meeting (workplan items A - I proposed before the strawman was proposed and adopted)

Proposed Work Plan Items

A. Catalog FERC Policy via Orders

Discussion

It was discussed that this item is no longer necessary and that anyone could bring information to any meeting at any time.

B. Catalog Pipeline Tariff Provisions

Discussion

It was discussed that this item is no longer necessary and that anyone could bring information to any meeting at any time.

C. Timeline

Discussion

It was discussed that this item is already on the strawman.

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D. Develop List of Common Provisions

Discussion

It was discussed that this item is no longer necessary.

E. Report to FERC

Discussion

It was discussed that this item is already on the strawman.

Motion (Dolores Chezar motioned, seconded by Randy Young)

Items A-E are no longer needed or are already included in the work plan

Motion passes unanimously

F. Review Impact on Existing NAESB WGQ Standards, e.g. Gas Purchase Contract

Motion (Paul Love motioned, seconded by Dale Davis)

Add Item F which has been modified to "Review Impact on Existing NAESB WGQ Standards" to the work plan.

Motion passes unanimously

Motion (Dale Davis motioned, seconded by Dolores Chezar)

Add Item F "Review Impact on Existing NAESB WGQ Standards" as item III and re-number "Report to FERC" as IV.

Motion passes unanimously

G. Examine Other Industries

H. Develop List of Pros and Cons of Standards Development

Motion (Randy Young motioned, seconded by Iris King)

Items G and H are no longer needed.

Motion passes unanimously

I. Identify/Develop "Same" Documents that can be submitted to every pipeline to obtain capacity

Motion

Item I is already included in the work plan as II. A.

Motion passes unanimously

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Additional Items to Add to the Work Plan

Discussion

TSP could escrow pre-payments in the event that the TSP becomes non-creditworthy.

Motion (Craig Chancellor motioned, seconded by Gary Hinners)

Add the item "Credit Assurances and Performance Guarantees when a Transportation Service Provider Becomes Non-Creditworthy" to the work plan.

Sponsor explained that this item has to do with pre-payments, gas parked, gas in storage and so on. (e.g. "Prepayment will be escrowed into an account in the case the pipeline determines non-creditworthiness.") Several believed this item to be a policy issue—also to be out of scope.

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	3	1.50	1	.50
LDCs	0	0	9	2
Services	1	1	0	0
Pipelines	0	0	15	2
Producers	0	0	1	1
Totals	4	2.50	26	5.50

Motion fails

Motion (Craig Chancellor motioned, seconded by Gary Hinners)

Modify work plan item II B. to "Type of confirmations and notification that the service requester and transportation service provider should supply for creditworthiness."

Discussion

It was explained that this item was added by the pipelines and that it was intended to mean the shipper information that the service requester supplies to the transportation service provider.

Modified Motion

Modify work plan item II E. to "Notice Requirements with Respect to a Determination of a Shipper's Creditworthiness Status."

Motion passes unanimously

Motion (Andy Dotterweich motioned, seconded by Donna Scott)

Report the Proposed Work Plan to the WGQ Executive Committee at its December 12, 2002.

Motion passes unanimously

3. Next Steps

We will have a conference call to approve the meeting minutes, update from the EC meeting, and prioritize the work on the work plan. Beginning in January, we will tackle each item on the work plan.

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4. Upcoming Meetings

December 17, 2002	Conference Call	
January 22-23, 2003	Houston TX	
Week of January 27, 2003	Conference Call	
February 4-5, 2003	Richmond VA	Dominion
Week of February 10, 2003	Conference Call	

Meeting Attendees and Voting Record

Attendee	Organization	12/03	12/04	NAESB Member?
Pipelines:				
Kim Van Pelt	CMS-Panhandle Eastern	√	√	√
Mark Wilke	CMS-Trunkline Gas Company	√	√	X
Kathryn Burch	Duke Energy-Texas Eastern	√	√	√
Mark Gracey	Tennessee Gas Pipeline	√	√	√
Bill Griffith	Colorado Interstate	√	√	√
Randy Young	Gulf South Pipe Line LP	√	√	√
Dale Davis	Williams Gas Pipeline	√	√	√
Paul Love	Natural Gas Pipeline	√	√	√
Joe Kardas	National Fuel Gas Supply	√	√	√
Jamie Hartenbach (phone)	NiSource Inc.		√	√
Howard Nelson	El Paso Corp	√	√	√
Janie Nielsen	Kern River	√	√	√
Iris King	Dominion Transmission	√	√	√
Donna Scott	Transwestern	√	√	√
Michele Winckowski (phone)	Northern Natural Gas	√	√	√
Paul Cherry	Florida Gas Transmission	√	√	√
Cynthia Corcoran	Enbridge	√		√
Brian White	Columbia Gas Transmission	√	√	√
Ken Nichols	PG&E Gas Transmission	√(nv)		√
John Roscher	PG&E Gas Transmission	√	√	√
Services:				
Georgia Carter	Virginia Power Energy Mktg	√	√	√
Anastasia Heinzelman (phone)	Midwest ISO	√	√	?
Keith Sappenfield (phone)	Encana Energy Services	√	√	√
Producers:				
Richard Smith	Exxon/Mobil		√	√
End Users:				
Alan Johnson (phone)	Mirant Corp	√		√

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Craig Chancellor	Calpine Energy Services	√	√	√
Gary Hanners	Reliant Energy Services	√	√	√
Susan Ginsberg	El Paso Merchant Energy	√	√	√
Kirstin Gibbs	Process Gas Consumers	√	√	√
LDCs:				
Mike Novak	National Fuel Gas Dist	√	√	√
Pete Connor	NiSource	√	√	√
Robert Krauss	PSE&G	√	√	X
Tina Weatherman (phone)	AGL Resources	√	√	√
Frank West (phone)	Oneok	√		√
Craig Colombo	Dominion Resources	√	√	√
Dolores Chezar	KeySpan	√	√	√
Steve Sullivan	Con Edison	√	√	√
Andy Dotterweich	Consumers Energy	√	√	X
Jenny Degan	Washington Gas		√	√
Rose Lennon	Washington Gas	√		√
Steve Zavodnick	Baltimore Gas & Electric	√		√
Frank Markle	UGI Utilities	√	√	√
Rick Ishikawa (phone)	SoCal Gas	√	√	√
Associations:				
Mariam Arnaout	American Gas Association	√	√	√
GISB Office:				

Bold signifies a BPS Chair

nv – not voting