

**RECOMMENDATION TO
NAESB WGQ EXECUTIVE COMMITTEE**

Requester: WGQ Contracts SC

Request No.: 2003 Annual Plan Item 2

DRAFT

1. Recommended Action:

- Accept as requested
- Accept as modified below
- Decline

Effect of EC Vote to Accept Recommended Action:

- Change to Existing Practice
- Status Quo

2. TYPE OF MAINTENANCE

Per Request:

- Initiation
- Modification
- Interpretation
- Withdrawal

- Principle (x.1.z)
- Definition (x.2.z)
- Business Practice Standard (x.3.z)
- Document (x.4.z)
- Data Element (x.4.z)
- Code Value (x.4.z)
- X12 Implementation Guide
- Business Process Documentation

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3. RECOMMENDATION

SUMMARY:

- Add proposed NAESB WGQ Standards 6.3.zA [Credit Support Addendum to the NAESB WGQ's "Base Contract for Purchase and Sale Natural Gas" (NAESB WGQ Standard 6.3.1) including the User's Guide to the Credit Support Addendum.]

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STANDARDS LANGUAGE:

For Proposed WGQ Standard 6.3.zA see Exhibit “A” attached.

For Proposed WGQ Standard 6.3.zB see Exhibit “B” attached.

4. SUPPORTING DOCUMENTATION

a. Description of Request:

2003 Annual Plan Item 2 – “Complete the Credit Annex for the contract for purchase and sales of natural gas.

b. Description of Recommendation:

WGQ Contracts Subcommittee

See the WGQ Contracts Subcommittee (Contracts) meeting minutes, meeting minute attachments, filed comments and various document drafts for the supporting documentation, discussion, and voting records for the following dates:

November 18, 2002
December 17, 2002
January 21, 2003
February 26, 2003
March 27 & 28, 2003
April 22, 2003
May 21, 2003
May 30, 2003
June 24, 2003
July 23, 2003
August 20, 2003

VOTES of the WGQ Contracts Subcommittee (Contracts SC)

The CSA and User’s Guide to the CSA attached to this recommendation represent a consensus of the Contracts SC except for one issue that required a balanced vote of the Contracts SC at the meeting held on July 23, 2003. The vote taken was on the issue of the naming of the CSA document.

The motion:

To affirm the name of the document as “Credit Support Addendum to the Base Contract for Sale and Purchase of Natural Gas.”

Discussion on the motion:

The alternative name discussed by a group of interested local distribution companies (Interested LDCs) was “**Model** Credit Support Addendum to the Base Contract for Sale and Purchase of Natural Gas.”

Interested LDCs’ opinion on the name was to make it abundantly clear that the use of the CSA as an addendum to the CSA was an optional form of CSA. Parties could use other CSA forms available including either parties’ in-house CSA forms. Further, since the term “Model” was going to be used in only one place in the document, parties using the CSA form could easily revise the document for use as a CSA.

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Representatives of other segments expressed their opinion that it was unnecessary to add the term "Model" to the CSA document since the optional nature of the CSA was clearly explained both in the User's Guide and in a separate disclaimer included in the CSA. They also noted that the other existing addendum to the Base Contract (Canadian Addendum) did not contain the term "Model" in its name. Finally, several services segment and end-user segment representatives explained that naming the CSA a "Model" could likely create confusion and may give rise to questions of enforceability as it might be viewed as illustrative only without the force and effect of a binding agreement. Also, in their experience, they believed adding the term "Model" to the CSA name may falsely connote a document without industry consensus on either the document itself or the terms in the document.

Vote on the Motion

The vote on the motion on July 23, 2003 was

Segments	<u>Vote For</u>	<u>Balanced For</u>	<u>Vote Against</u>	<u>Balanced Against</u>
Pipelines	1	1	0	0
Producers	1	1	0	0
Services	4	2	0	0
LDCs	0	0	3	2
End Users	1	1	0	0
Totals	7	5	3	2

Motion passes

c. Business Purpose:

The business purpose is provided in the "Purpose" and "Structure" provisions of the CSA User's Guide.

d. Commentary/Rationale of Subcommittee(s)/Task Force(s):

The commentary/rationale to support the development of the CSA and User's Guide is provided in the "Purpose" and "Structure" provisions of the CSA User's Guide.