

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, REQ, RGQ, WGQ Meeting Materials
December 9-11, 2003

TAB 16

WGQ: Draft Minutes



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: NAESB Wholesale Gas Quadrant (WGQ) Executive Committee (EC), Posting for Interested Industry Participants

FROM: Meghan McMillan, NAESB Staff

RE: Draft Minutes from the NAESB Wholesale Gas Quadrant Executive Committee Meeting – October 9, 2003

DATE: October 24, 2003

**Wholesale Gas Quadrant
Executive Committee Meeting
October 9, 2003
Draft Minutes**

1. Welcome

Mr. Buccigross opened the meeting and gave the antitrust advice. Ms. McQuade called the roll of EC members.

2. Wholesale Gas Quadrant Draft Agenda & Draft Minutes

Mr. Young moved, seconded by Mr. Spangler to adopt the agenda as written. Upon a procedural vote the agenda was adopted absent objection. Ms. Davis moved, seconded by Mr. Novak to adopt the August 6, 2003 redlined draft minutes. Upon a procedural vote the redlined draft minutes were adopted absent objection.

3. Review of New Requests and Assignments

R03019 – R03027 with the exception of R03023: Ms. Van Pelt reviewed the triage recommendations for these requests. Mr. Novak moved, seconded by Mr. Young to adopt the triage recommendations R03019 – R03027 with the exception of R03023. Upon a procedural vote the motion passed unanimously.

R03023: The Triage recommendation was to find this request in scope and assign it to the WGQ and RGQ where it would then be assigned to the Business Practices Subcommittee and the Supplier-Utility Interface Subcommittee, respectively. Mr. Novak stated the RGQ EC discussed this request and decided to defer making a decision about how to pursue this issue until hearing the WGQ EC discussion. There was a brief discussion of R03023 during which concerns were voiced about the vendor specific nature of the request, and a suggestion was made for this request to be modified, clarifying that the requestor is asking for a model and not a standard. Mr. Bartle stated he will be revising his request to clarify that it is requesting a model.

Ms. Van Pelt moved, seconded by Mr. Novak to send R03023 to the BPS to be worked on as a model and to be handled in the normal course of business jointly with the RGQ. Upon a procedural vote the motion passed unanimously.

4. Discussion and Vote on Recommended Standards

Ms. Davis moved, seconded by Mr. Ishikawa to accept all recommendations except the CSA, C03004, C03005 and the Minor Corrections for R97058B, which will be voted on individually. Upon a 17 and 2 vote the motion passed unanimously.

C03004 and C03005: Ms. Davis reviewed the redline revisions to these clarifications. Ms. Davis moved, seconded by Ms. Van Pelt to adopt the redlined clarifications after they are edited for correct spelling. Upon a 17 and 2 vote the motion passed unanimously.



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Minor Correction – R97058B: Ms. Davis reviewed the correction. Ms. Davis moved, seconded by Ms. McVicker to adopt the minor correction. Upon a super-majority vote (67% of the WGQ EC members and 40% of the EC members within each segment) vote the motion passed unanimously.

Credit Support Addendum: Mr. Sappenfield reviewed the Credit Support Addendum (CSA) and the User's Guide, as well as the comments submitted on the CSA and User's Guide as well as his suggested changes. Ms. Calcagno moved, seconded by Mr. Spangler to adopt the CSA and User's Guide as modified.

Mr. Novak voiced concerns about the development of this document, and referred participants to the comment submitted by Mewborne Oil, which stated "our concern stems from the realization that standard documents promulgated by NAESB carry a certain weight of authority amongst industry participants." In light of this comment Mr. Novak suggested the CSA should be passed as a model as his segment could not support this document as a standard.

Mr. Shepard stated the NAESB Base Contract as it exists provides ample language to cover issues of creditworthiness with opportunities to modify the contract using special provisions. He voiced concerns that the adoption of this document will eventually lead to the withdrawal of support for the NAESB Base Contract. Mr. Shepard further stated that he cannot support the CSA as either a standard or as a model. Mr. Sappenfield responded the CSA was written as an addendum similar to the Canadian Addendum, and entering into the addendum would only occur if both signatories supported the addendum. The addendum would not be included automatically to the Base Contract nor would it be mandatory, as neither the addendum nor the contract itself is mandatory.

Ms. Calcagno withdrew the motion to vote on the CSA and User's Guide as standards. Ms. Calcagno then moved, seconded by Mr. Spangler to adopt the CSA as a model along with the User's Guide as modified by Mr. Sappenfield. Mr. Novak proposed a friendly amendment to insert the word "Model" into the title of the CSA. The friendly amendment was accepted by the motioner and the seconder. Upon a roll call vote the motion passed. As a model, the vote was a simple majority vote – it passed with 11 in favor and 8 opposed, with one abstention.

5. Approval of draft 2004 Annual Plan

Mr. Buccigross reviewed the 2004 WGQ Annual Plan. There was discussion concerning the provisional items and Ms. Chezar suggested the Energy Day provisional item and the Intraday Nominations provisional item be removed. It was agreed that the Energy Day provisional item should be removed from the plan, but the Intraday Nominations provisional item should stay on the plan.

Mr. Spangler noted that the current NAESB standards state that Annual Plan item four (Review of minimum technical characteristics in Appendices C, D, and E of the EDM Manual) should be completed in the spring of each year and he suggested they change the completion date on the annual plan to the 2nd quarter until the process of changing the standard is completed. Mr. Buccigross suggested leaving the due date for item four on the annual plan as it is and changing the standard between now and when this item is due.

Mr. Novak moved, seconded by Ms. McVicker to adopt the 2004 WGQ Annual Plan and send it to the Board for approval. Upon a procedural vote the motion passed unanimously.

6. Subcommittee Updates and 2003 Annual Plan

Business Practices Subcommittee: Ms. Van Pelt noted the subcommittee is working on normal course of business items. Upcoming BPS meetings are as follows: October 24, 2003 conference call;



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November 6, 2003 conference call; Wednesday, November 19, 2003 face-to-face meeting in Houston at the NAESB offices.

Contracts Subcommittee: Mr. Sappenfield stated the current subcommittee work is complete, and no additional work is anticipated pending submitted requests.

EDM Subcommittee: Mr. Burden stated the WGQ EDM has been working jointly with the three other quadrants to develop a joint Internet ET manual that covers transferring data and discussing the development of additional manuals that address the individual quadrants and their needs. The goal is to finish a draft of the ET manual by the end of the year.

IR Subcommittee: Ms. Davis stated the IR has close to fifty items to be addressed. The subcommittee is currently working on a 1998 request. The next IR and Technical meetings will take place in Colorado Springs, CO on November 12-14 and then on December 8-9, 2003.

Technical and ANSI X12 Subcommittees: Ms. Van Pelt stated the subcommittee is addressing work given to them by the IR subcommittee. Additionally, there have been two questions on transactional reporting data sets, which have not been submitted to X12 yet, and they will be discussed in February.

Interpretations Subcommittee: Mr. Novak stated the next Interpretations call is scheduled for October 16, 2003.

Update of the 2003 Annual Plan: Mr. Buccigross stated after the completion of the CSA today and with the exception of the SANDIA review the WGQ has completed all 2003 annual plan items.

Update on BOD meeting: Mr. Buccigross stated the Board met in Austin, and it was announced that Mr. Costan has stepped down from his position as NAESB's general counsel and Mr. Boswell will be taking over that position and resigning his seat on the NAESB Board. There was a discussion at the Board meeting about charging individuals for conference calls, which is one thing the Board is considering to compensate for the increasing cost of conference calls. No formal decisions were made concerning this issue.

7. Adjourn

Mr. Sappenfield moved, seconded by Mr. Novak to adjourn the meeting on October 9, 2003 at 1:30 p.m. MST.



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8. Attendees

Note: The votes listed below are as follows: Y = In favor, O = Opposed, A = Abstain.

Title, Organization		Attendance	V1 ¹	V2 ²	V3 ³	V4 ⁴
End User Segment						
Diane McVicker	Sr. Principal Fuel Supply Analyst, Salt River Project	In Person	Y	Y	Y	Y
Gary Hinners	Director of Natural Gas Regulatory Issues, Reliant Energy Services, Inc.	Phone				
Kelly Daly	Partner, Stinson, Morrison & Hecker, rep. Arizona Public Service Co.	In Person	Y	Y	Y	Y
Dona Gussow	Contracts Coordinator, Florida Power and Light	Phone	Y	Y	Y	Y
Tina Burnett	Natural Gas Operations Administrator, The Boeing Company	In Person	Y	Y	Y	Y
LDC Segment						
Rick Ishikawa, alt. for R. Schwecke	Transportation Contract Administrator, Southern California Gas Company	In Person	Y	Y	Y	Y
Dolores Chezar	Director, Regulatory Policy, KeySpan Energy	In Person	Y	Y	Y	A
Chris Maturo	Director, Operations Integration, NiSource, Inc.	In Person	Y	Y	Y	O
Mike Novak	Assistant General Manager, National Fuel Gas Distribution	In Person	Y	Y	Y	Y
Steve Sullivan	Regulatory Manager of Gas Supply, Consolidated Edison Co. of NY	Phone	Y ⁵		Y ⁵	Y
Pipeline Segment						
Mark Gracey	Consultant - Transportation Services, Tennessee Gas Pipeline Co.	In Person	Y	Y	Y	O
Bill Griffith	Director, Transmission & Storage, Colorado Interstate Gas Co.	In Person	Y	Y	Y	O
Dale Davis	Consultant, Williams Gas Pipeline	In Person	Y	Y	Y	O
Randy Young	Director, Regulatory Compliance, Gulf South Pipeline Co., LP	In Person	Y	Y	Y	O
Kim Van Pelt	GISB Coordinator, Panhandle Eastern Pipe Line	In Person	Y	Y	Y	O
Producer Segment						
Jim Busch	Director of Energy Policy and Regulation, BP Energy Company	Absent				
Paul Keeler	Managing Attorney, Marketing, Burlington Resources	Absent				
Sherri Heslington	Dominion Exploration	Phone				
Richard Smith	Director, Regulatory Affairs, ExxonMobil	In Person	Y	Y	Y	O
Mike Shepard	General Counsel, Mewbourne Oil Company	In Person	Y	Y	Y	O
Services Segment						
Suzanne Calcagno	Associate Director - Regulatory Compliance, UBS Warburg Energy	Phone				Y
V A C A N C Y	V A C A N C Y					
Leigh Spangler	CEO, Latitude Technologies	In Person	Y	Y	Y	Y
Jim Buccigross	Vice President, 8760 Inc.	In Person	Y	Y	Y	Y
Keith Sappenfield	Regional Director of Regulatory Affairs, EnCana Marketing (USA) Inc.	In Person	Y	Y	Y	Y

1 Motion: accept all recommendations except the CSA, C03004, C03005 and the Minor Corrections for R97058B, which will be voted on individually.

2 Motion: adopt the redlined clarifications after they are edited for correct spelling.

3 Motion: adopt the minor correction.

4 Motion: adopt the CSA as a model along with the User's Guide as modified by Mr. Sappenfield.

5 Vote supplied by Bill Oppenheim, sitting as an alternate for Steve Sullivan.



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Administrative:

Rae McQuade	-Executive Director
Veronica Thomason	-NAESB Staff
Meghan McMillan	-NAESB Staff

Observers to the Meeting:

Name	Company	In Person/Phone
Bartle, Ardis	P-Gas	Phone
Bray, Mike	Shell Gas Transmission	In Person
Brechner, Curt	Arizona Public Service	In Person
Burch, Kathryn	Duke Energy Gas Transmission	In Person
Burden, Christopher	Williams Gas Pipeline	In Person
Byrnes, John	None Given	Phone
Calcagno, Suzanne	UBS Warburg Energy	Phone
Connor, Keith	NiSource Distribution Co.	Phone
Gussow, Dona	Florida Power & Light Co.	Phone
Heslington, Sheri	Dominion	Phone
Hinners, Gary	Reliant Energy	Phone
Johnson, Alan	Mirant	In Person
Johnson, David	Systrends	In Person
Jones, Veronica	Defense Energy Support Center	Phone
Love, Paul	NGPL	Phone
McCain, Marcy	Duke Energy Gas Transmission	In Person
McGough, Brenda	None Given	Phone
Perlman, Marjorie	Energy East	Phone
Scott, Donna	Transwestern Pipeline Co.	Phone
Stengel, Joe	Philadelphia Gas Works	In Person
Sullivan, Steve	Consolidated Edison Co. of New York	Phone



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TO: NAESB Wholesale Gas Quadrant (WGQ) Executive Committee (EC), Posting for Interested Industry Participants

FROM: Meghan McMillan, NAESB Staff

RE: Draft Minutes from the NAESB Wholesale Gas Quadrant Executive Committee Meeting – October 9, 2003

DATE: October 24, 2003

**Wholesale Gas Quadrant
Executive Committee Meeting
October 9, 2003
Redlined Draft Minutes**

1. Welcome

Mr. Buccigross opened the meeting and gave the antitrust advice. Ms. McQuade called the roll of EC members.

2. Wholesale Gas Quadrant Draft Agenda & Draft Minutes

Mr. Young moved, seconded by Mr. Spangler to adopt the agenda as written. Upon a procedural vote the agenda was adopted absent objection. Ms. Davis moved, seconded by Mr. Novak to adopt the August 6, 2003 redlined draft minutes. Upon a procedural vote the redlined draft minutes were adopted absent objection.

3. Review of New Requests and Assignments

R03019 – R03027 with the exception of R03023: Ms. Van Pelt reviewed the triage recommendations for these requests. Mr. Novak moved, seconded by Mr. Young to adopt the triage recommendations R03019 – R03027 with the exception of R03023. Upon a procedural vote the motion passed unanimously.

R03023: The Triage recommendation was to find this request in scope and assign it to the WGQ and RGQ where it would then be assigned to the Business Practices Subcommittee and the Supplier-Utility Interface Subcommittee, respectively. Mr. Novak stated the RGQ EC discussed this request and decided to defer making a decision about how to pursue this issue until hearing the WGQ EC discussion. There was a brief discussion of R03023 during which concerns were voiced about the vendor specific nature of the request, and a suggestion was made for this request to be modified, clarifying that the requestor is asking for a model and not a standard. Mr. Bartle stated he will be revising his request to clarify that it is requesting a model.

Ms. Van Pelt moved, seconded by Mr. Novak to send R03023 to the BPS to be worked on as a model and to be handled in the normal course of business jointly with the RGQ. Upon a procedural vote the motion passed unanimously.

4. Discussion and Vote on Recommended Standards

Ms. Davis moved, seconded by Mr. Ishikawa to accept all-the recommendations for AP03006; R00011 as Revised; R00016; R01021; R02012; R03002; R98011/R98012/R98001; R99008; R99020/R99032/R01001/R02005; and R00020, and R99052/R01006. except-tThe recommendations for the Credit Support Addendum (CSA) – AP03002, C03004, C03005 and the Minor Corrections for R97058B, which–will be voted on individually. Upon a super-majority vote (67% of the WGQ EC members and 40% of the EC members within each segment) vote the motion passed unanimously. The vote is reflected as V1 under Section 8 – Attendees. Upon a 17 and 2 vote the motion passed unanimously.



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C03004 and C03005: Ms. Davis reviewed the redline revisions to these clarifications. Ms. Davis moved, seconded by Ms. Van Pelt to adopt the clarification recommendations for C03004 and C03005 as redlined clarifications after they are edited for correct spelling. Upon a super-majority vote the motion passed unanimously. The vote is reflected as V2 under Section 8 - Attendees.~~Upon a 17 and 2 vote the motion passed unanimously.~~

Minor Correction - R97058B: Ms. Davis reviewed the correction. Ms. Davis moved, seconded by Ms. McVicker to adopt the minor correction for R97058B. Upon a super-majority vote ~~(67% of the WGQ EC members and 40% of the EC members within each segment) vote~~ the motion passed unanimously. The vote is reflected as V3 under Section 8 - Attendees.

Credit Support Addendum - APO3002: Mr. Sappenfield reviewed the Credit Support Addendum (CSA) and the User's Guide, as well as the comments submitted on the CSA and User's Guide as well as his suggested changes. Ms. Calcagno moved, seconded by Mr. Spangler to adopt the recommendation for the CSA and User's Guide as modified.

Mr. Novak voiced concerns about the development of this document, and referred participants to the comment submitted by Mewborne QI, which stated "our concern stems from the realization that standard documents promulgated by NAESB carry a certain weight of authority amongst industry participants." In light of this comment Mr. Novak suggested the CSA should be passed as a model as his segment could not support this document as a standard.

Mr. Shepard stated the NAESB Base Contract, as it exists, provides ample language to cover issues of creditworthiness with opportunities to modify the contract using special provisions. He voiced concerns that the adoption of this document will eventually lead to the withdrawal of support for the NAESB Base Contract. Mr. Shepard further stated that he cannot support the CSA as either a standard or as a model. Mr. Sappenfield responded the CSA was written as an addendum similar to the Canadian Addendum, and entering into the addendum would only occur if both signatories supported the addendum. The addendum would not be included automatically to the Base Contract nor would it be mandatory, as neither the addendum nor the contract itself is mandatory.

Ms. Calcagno withdrew the motion to vote on the CSA and User's Guide as standards. Ms. Calcagno then moved, seconded by Mr. Spangler to adopt the recommendation for the CSA as a model along with the User's Guide as modified by Mr. Sappenfield. Mr. Novak proposed a friendly amendment to insert the word "Model" into the title of the CSA. The friendly amendment was accepted by the motioner and the seconder. Upon a roll call vote the motion passed. As a model, the vote was a simple majority vote - it passed with 11 in favor and 8 opposed, with one abstention. The vote is reflected as V4 under Section 8 - Attendees.

5. Approval of draft 2004 Annual Plan

Mr. Buccigross reviewed the 2004 WGQ Annual Plan. There was discussion concerning the provisional items and Ms. Chezar suggested the Energy Day provisional item and the Intraday Nominations provisional item be removed. It was agreed that the Energy Day provisional item should be removed from the plan, but the Intraday Nominations provisional item should stay on the plan.

Mr. Spangler noted that the current NAESB standards state that Annual Plan item four (Review of minimum technical characteristics in Appendices C, D, and E of the EDM Manual) should be completed in the spring of each year and he suggested they change the completion date on the annual plan to the 2nd quarter until the process of changing the standard is completed. Mr. Buccigross suggested leaving the due date for item four on the annual plan as it is and changing the standard between now and when this item is due.



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Mr. Novak moved, seconded by Ms. McVicker to adopt the 2004 WGQ Annual Plan and send it to the Board for approval. Upon a procedural vote the motion passed unanimously.

6. Subcommittee Updates and 2003 Annual Plan

Business Practices Subcommittee: Ms. Van Pelt noted the subcommittee is working on normal course of business items. Upcoming BPS meetings are as follows: October 24, 2003 conference call; November 6, 2003 conference call; Wednesday, November 19, 2003 face-to-face meeting in Houston at the NAESB offices.

Contracts Subcommittee: Mr. Sappenfield stated the current subcommittee work is complete, and no additional work is anticipated pending submitted requests.

EDM Subcommittee: Mr. Burden stated the WGQ EDM has been working jointly with the three other quadrants to develop a joint Internet [Electronic Transport \(ET\)](#) manual that covers transferring data and discussing the development of additional manuals that address the individual quadrants and their needs. The goal is to finish a draft of the [Internet ET](#) manual by the end of the year.

IR Subcommittee: Ms. Davis stated the IR has close to fifty items to be addressed. The subcommittee is currently working on a 1998 request. The next IR and Technical meetings will take place in Colorado Springs, CO on November 12-14 and then on December 8-9, 2003 [in Houston](#).

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Update of the 2003 Annual Plan: Mr. Buccigross stated after the completion of the CSA today and with the exception of the SANDIA review the WGQ has completed all 2003 annual plan items.

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7. Adjourn

Mr. Sappenfield moved, seconded by Mr. Novak to adjourn the meeting on October 9, 2003 at 1:30 p.m. MST.



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8. Attendees

Note: The votes listed below are as follows: Y = In favor, O = Opposed, A = Abstain.

Title, Organization		Attendance	V1 ¹	V2 ²	V3 ³	V4 ⁴
End User Segment						
Diane McVicker	Sr. Principal Fuel Supply Analyst, Salt River Project	In Person	Y	Y	Y	Y
Gary Hinners	Director of Natural Gas Regulatory Issues, Reliant Energy Services, Inc.	Phone				
Kelly Daly	Partner, Stinson, Morrison & Hecker, rep. Arizona Public Service Co.	In Person	Y	Y	Y	Y
Dona Gussow	Contracts Coordinator, Florida Power and Light	Phone	Y	Y	Y	Y
Tina Burnett	Natural Gas Operations Administrator, The Boeing Company	In Person	Y	Y	Y	Y
LDC Segment						
Rick Ishikawa, alt. for R. Schwecke	Transportation Contract Administrator, Southern California Gas Company	In Person	Y	Y	Y	Y
Dolores Chezar	Director, Regulatory Policy, KeySpan Energy	In Person	Y	Y	Y	A
Chris Maturo	Director, Operations Integration, NiSource, Inc.	In Person	Y	Y	Y	O
Mike Novak	Assistant General Manager, National Fuel Gas Distribution	In Person	Y	Y	Y	Y
Steve Sullivan	Regulatory Manager of Gas Supply, Consolidated Edison Co. of NY	Phone	Y ⁵		Y ⁵	Y
Pipeline Segment						
Mark Gracey	Consultant - Transportation Services, Tennessee Gas Pipeline Co.	In Person	Y	Y	Y	O
Bill Griffith	Director, Transmission & Storage, Colorado Interstate Gas Co.	In Person	Y	Y	Y	O
Dale Davis	Consultant, Williams Gas Pipeline	In Person	Y	Y	Y	O
Randy Young	Director, Regulatory Compliance, Gulf South Pipeline Co., LP	In Person	Y	Y	Y	O
Kim Van Pelt	GISB Coordinator, Panhandle Eastern Pipe Line	In Person	Y	Y	Y	O
Producer Segment						
Jim Busch	Director of Energy Policy and Regulation, BP Energy Company	Absent				
Paul Keeler	Managing Attorney, Marketing, Burlington Resources	Absent				
Sherri Heslington	Dominion Exploration	Phone				
Richard Smith	Director, Regulatory Affairs, ExxonMobil	In Person	Y	Y	Y	O
Mike Shepard	General Counsel, Mewbourne Oil Company	In Person	Y	Y	Y	O
Services Segment						
Suzanne Calcagno	Associate Director - Regulatory Compliance, UBS Warburg Energy	Phone				Y
V A C A N C Y	V A C A N C Y					
Leigh Spangler	CEO, Latitude Technologies	In Person	Y	Y	Y	Y
Jim Buccigross	Vice President, 8760 Inc.	In Person	Y	Y	Y	Y
Keith Sappenfield	Regional Director of Regulatory Affairs, EnCana	In Person	Y	Y	Y	Y

1 Motion [AP03006; R00011 as Revised; R00016; R01021; R02012; R03002; R98011/R98012/R98001; R99008; R99020/R99032/R01001/R02005; and R00020, and R99052/R01006.](#) - ~~accept all recommendations except the CSA, C03004, C03005 and the Minor Corrections for R97058B, which will be voted on individually.~~

2 Motion: adopt the [clarification recommendations for C03004 and C03005 as redlined](#) ~~redlined clarifications~~ after they are edited for correct spelling.

3 Motion: adopt the minor correction [for R97058B](#).

4 Motion: adopt the CSA as a model along with the User's Guide as modified by Mr. Sappenfield.

5 Vote supplied by Bill Oppenheim, sitting as an alternate for Steve Sullivan.



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Title, Organization	Attendance	V1 ¹	V2 ²	V3 ³	V4 ⁴
Marketing (USA) Inc.					

Administrative:

Rae McQuade	-Executive Director
Veronica Thomason	-NAESB Staff
Meghan McMillan	-NAESB Staff

Observers to the Meeting:

Name	Company	In Person/Phone
Bartle, Ardis	P-Gas	Phone
Bray, Mike	Shell Gas Transmission	In Person
Brechner, Curt	Arizona Public Service	In Person
Burch, Kathryn	Duke Energy Gas Transmission	In Person
Burden, Christopher	Williams Gas Pipeline	In Person
Byrnes, John	None Given	Phone
Calcagno, Suzanne	UBS Warburg Energy	Phone
Connor, Keith	NiSource Distribution Co.	Phone
Gussow, Dona	Florida Power & Light Co.	Phone
Heslington, Sheri	Dominion	Phone
Hinners, Gary	Reliant Energy	Phone
Johnson, Alan	Mirant	In Person
Johnson, David	Systrends	In Person
Jones, Veronica	Defense Energy Support Center	Phone
Love, Paul	NGPL	Phone
McCain, Marcy	Duke Energy Gas Transmission	In Person
McGough, Brenda	None Given	Phone
Perlman, Marjorie	Energy East	Phone
Scott, Donna	Transwestern Pipeline Co.	Phone
Stengel, Joe	Philadelphia Gas Works	In Person
Sullivan, Steve	Consolidated Edison Co. of New York	Phone

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, REQ, RGQ, WGQ Meeting Materials
December 9-11, 2003

TAB 17

2003 Annual Plan and Subcommittee Updates

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NORTH AMERICAN ENERGY STANDARDS BOARD

2003 WGQ Annual Plan Modified by the Executive Committee - August 6, 2003

Item Description	Completion ¹	Assignment
Contracts		
1 Complete the Credit Annex for the contract for purchases and sales of natural gas ² .	3 rd Qtr 2003	Contracts Subcommittee
Status: Completed		
Electronic Delivery Mechanisms and Related Activities		
2 Preparation of documents and submission of EDM standards to ANSI for approval as ANSI standards.	4 th Qtr 2003	EDM Subcommittee
3 Explore additional possibilities for partnership with the Department of Energy.	4 th Qtr 2003	EC Officers
Status: Pending, Discussion Underway		
4 Review and enhance security standards as required by technological changes.	2 nd Qtr 2003	EDM Subcommittee
Status: Completed		
5 Review of minimum technical characteristics in Appendices C, D, and E of the EDM Manual.	2 nd Qtr 2003	EDM Subcommittee
Status: Completed		
Standards Implementation		
6 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.	3 rd Qtr 2003	Business Practices Subcommittee
Status: Underway, completed excepting implementation		

Provisional Activities³

¹ Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

² This item may require coordination with wholesale electric quadrant as it may be related to WEQ Annual Plan item no. 5.

³ To the extent that it is determined that any of the provisional activities should be worked upon during the year as a result of a specific request for standards development or a FERC action, the Board has the discretion to modify the annual plan.

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

Item Description	Completion¹	Assignment
Mexican Addendum to the base contract for purchase and sales of natural gas.		
“Energy Day” Standard - including assessment of changes to existing NAESB standards.		
Remand of FERC Order 637 Issues – (1) forward-backward haul to the same point, and (2) Right of First Refusal.		
Model financial hedging agreement development ⁴ .		
FERC order -- Docket No. RM01-10-000 (Affiliate Order).		
Base contract for purchase and sales of natural gas – electronic contract.		
Program of Standards Maintenance & Fully Staffed Standards Work⁵		
Business Practice Requests	Ongoing	Assigned by the EC on a request by request basis
Continue review against plan for migration to ANSI ASC X12 new versions as needed and coordinate such activities with DISA.	Ongoing	ANSI (X12) Subcommittee
Information Requirements and Technical Mapping of Business Practices	Ongoing	Assigned by the EC on a request by request basis
Ongoing Interpretations for Clarifying Language Ambiguities	Ongoing	Assigned by the EC on a request by request basis
Ongoing Maintenance of Code Values and Other Technical Matters	Ongoing	Assigned by the EC on a request by request basis

- Notes: (a) Priority is given to action items that are carry-overs from the 2002 Annual Plan.
- (b) Any new activity should be preceded by a request from the submitter after which the annual plan will be revisited. The provisional items would only be addressed after a request is submitted or an order is issued by the FERC.

⁴ This item may require coordination with wholesale electric quadrant as it may be related to WEQ Annual Plan item no. 5.

⁵ This work is considered routine maintenance and thus the items are not separately numbered.

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TO: Business Practices Subcommittee Chairs, Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Draft Minutes from the Business Practices Subcommittee Meeting, November 19, 2003
DATE: November 19, 2003

1. Administrative

Ms. Van Pelt opened the meeting and gave the anti-trust advice. Participants in the room and on the call introduced themselves. The agenda was modified to postpone the adoption of the 11/06/2003 meeting minutes until the 12/03/2003 BPS conference call. The modified agenda was adopted. The 10/02/2003 draft minutes were adopted as modified.

2. Review of Business Practices Requests

R03015 Transcanada Discussion and possible vote

Discussion:

This request was discussed at the 10/02/2003 BPS meeting. Mr. Schubert gave a brief review of the request before discussion. He also posted a work paper for this meeting. Mr. Schubert went through each of the examples from the work paper and it was discussed that we could see where it was possible that more ranks could be needed, but that it could expand exponentially, which is not practical. So, it was determined that only one data element was needed. It was determined that an additional data element would be added for the Pathed Non-Threaded nomination model for the Threaded Segment only. It is defined as "This is a supplemental rank (priority) assigned to the quantities on the threaded segment of the Pathed Non-Threaded nomination model. Priority 1 means the highest priority. Priorities 2, 3, etc. are in descending order of priority. Quantities assigned the same rank will be applied on a pro-rata basis." Mr. Schubert requested that the data element be added to the scheduled data as mutually agreed, as well.

Motion (motioned by Ken Schubert, seconded by Mike Schisler)

The Business Practices Subcommittee instructs the Information Requirements Subcommittee to accommodate the ability to send the Threaded Rank data element in the nomination process as a mutually agreed business practice for the Threaded segment of the Pathed Non-Threaded nomination model. The suggested definition is "This is a supplemental rank (priority) assigned to the quantities on the threaded segment of the Pathed Non-Threaded nomination model. Priority 1 means the highest priority. Priorities 2, 3, etc. are in descending order of priority. Quantities assigned the same rank will be applied on a pro-rata basis."

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	0	0
LDCs	3	2	0	0
Pipelines	8	2	0	0
Producers	0	0	0	0
Services	2	2	0	0
Totals	13	6	0	0

Motion passes

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3. Review of the following Information Requirement's Subcommittee Questions for Discussion and Possible Vote (see memos posted on bottom of BPS web page):

IR Memo Regarding Upstream and Downstream Rank, memo May 23, 2003

At its meeting on January 14-15, 2003, the Information Requirements (IR) subcommittee discussed an issue related to the 1999 Annual Plan – Cross Contact Ranking. The issue in question was transferred to IR by the EC at its meeting of November 11, 1999. The instruction to IR from the Cross Contract Ranking Subcommittee was to change the condition of upstream rank and downstream rank in the Data Element Cross Reference Table to “nu” for the pathed and non-path models. In December 2002, IR completed its work, but it was reviewed again during its January 2003 meeting. At that time, it was determined to send the following question to BPS and the following motion was made:

IR MOTION: Send the following question to BPS:

At the March 23, 1999 meeting of the Cross Contract Ranking Subcommittee, it was determined that the usage of upstream rank and downstream rank in the Nominations data set should be changed from “MA” to “nu” and in the minutes of that meeting it stated that an instruction would be sent to IR to make this change.

At the EC meeting of November 11, 1999, the EC confirmed that this issue should be transferred to IR. Although IR changed the usages as instructed at its meeting of December 10, 2002, it has come to IR's attention that TransCanada plans to file a related request involving the same data elements for the pathed non-threaded threaded segment in the near future. Based on this discussion, IR is now concerned that others may already be using the existing pathed and non-pathed data elements as “MA”. IR believes these comments should be considered as a part of the processing of the issue currently in IR along with the forthcoming TransCanada request. Therefore, before IR transfers its work from the December meeting to the Technical Subcommittee, IR requests that BPS review these related issues and provide direction to IR as to how to proceed.

Discussion:

Now that the R03015 request has been resolved and a new data element has been added to accommodate the ranking needed by TransCanada, it was determined that upstream and downstream ranks are definitely not need for the threaded segment of the Pathed Non-threaded nomination model. A brief discussion was held as to how an upstream and downstream rank would be used for the Pathed and Non-pathed nomination models. It was generally felt that the data elements would not be used for the pathed and non-pathed models. It was determined that we should go ahead and modify the upstream rank and downstream rank data elements in the pathed and non-pathed nomination models from MA to nu.

Motion (motioned by Donna Scott, seconded by Mike Schisler)

In response to the Information Requirements memo, dated May 23, 2003, regarding Upstream and Downstream Rank, the Business Practices Subcommittee confirms that IR should change the usage of the data elements Upstream Rank (Priority) and Downstream Rank (Priority) in the nomination process from MA to nu (not used).

Segments	Vote For	Balanced For	Vote Against	Balanced Against
End Users	0	0	0	0
LDCs	2	2	0	0
Pipelines	9	2	0	0
Producers	0	0	0	0
Services	1	1	0	0

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Totals	12	5	0	0
Motion passes				

4. Review of the following Business Practices Requests:

R03026 SunGard Energy Systems Discussion only

Ms. Chen explained the request and reviewed the requirements of Version 1.6 and the FERC requirements of Order 637. She explained that they were trying to accomplish a default to indicate how to handle the Releasing Shipper's nominated quantity and the Replacement Shipper's nominated quantity in the event of overlapping nominations.

Ms. Burch explained that there was another option to the one specified in the request, which is specifying percentages.

It was discussed that there was an additional way to handle overlapping priorities on other pipelines, which would be to schedule all the nominations down to zero and the service requester would have to re-nominate. This requirement is currently being implemented using Special Terms and Conditions. It was discussed that since FERC allowed the Order 637 requirements to be implemented in different ways that maybe we shouldn't try to work on the standardization of this request.

Ms. Burch provided the following example of a contract within a zone. The original party does three releases.

Party	Zone X			
	Segment 1	Segment 2	Segment 3	Segment 4
K original	10,000	10,000	10,000	10,000
After the release:				
K - Primary	9,000	9,000	9,000	9,000
K - Secondary	1,000	1,000	1,000	1,000
R-1 - Primary	0	5,000	0	0
R-1 - Secondary	5,000	0	5,000	5,000
R-2 - Primary	1,000	1,000	1,000	0
R-2 - Secondary	0	0	0	1,000
R-3 - Primary	0	0	1,000	1,000
R-3 - Secondary	1,000	1,000	0	0
Total Primary	10,000	10,000	10,000	10,000
Total Secondary	7,000	3,000	6,000	7,000
Total	17,000	13,000	16,000	17,000

Taking the above contract example and looking at nominated quantity in Segment 1, here is how the overlap % could work.

Party	Nominated Quantity	Segment 1 Primary	Segment 1 Secondary	%	ADJ. %	Allocated Secondary	Total Scheduled
K > release	10,000	9,000	1,000	25%	33.3%	166	9,166

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R-1 > release	5,000	0	5,000	25%	33.3%	166	166
R-2 > release	500	500	0	25%	0		500
R-3 > release	1,000	0	1,000	25%	33.3%	167	167
Total	16,700	9,500	7,000	100%	100%	500	10,000

The releasing shipper in the offer needs to distinguish in the offer whether the releasing shipper or replacement shipper has priority over the overlapping quantity. It was discussed that what is outside the scope of the request is the pipeline default tariff provision detailing how nominations from releasing and replacement shippers will be handled in the event that they exceed the contract demand.

It was also discussed that there will need to be a default in cases where the parties don't specify which has priority. SunGard has agreed to change the default provision to allowing the releasing shipper to have priority. Upon further investigation of the order, it was determined that the default is specified in the tariff and that no default would be specified in the dataset. The partial answer to this request is that the default should be specified in the tariff. The service requester should be able to rely on this.

This request will be continued at the 12/03/2003 meeting.

5. Next Meeting(s) and Agenda

12/03/2003 9:00 a.m.-11:00 a.m. CT

R03021	National Fuel Gas Distribution	Discussion and possible vote
R03026	SunGard Energy Systems	Discussion and possible vote
R03027	SunGard Energy Systems	Discussion only
R03029	Northern Border Pipeline Company	Discussion only
R03032	National Fuel Gas Distribution	Discussion only

6. Adjourn

The meeting was adjourned.

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Meeting Attendees and Voting Record

Attendee	Organization	11/19/03	NAESB WGQ Member?
Pipelines:			
Kim Van Pelt	Panhandle Eastern Pipe Line	√	√
Donna Scott	Transwestern	√	√
Dale Davis	Williams Gas Pipeline	√	√
Christopher Burden	Williams Gas Pipeline	Phone-nv	√
Mark Gracey	Tennessee Gas Pipeline	√	√
Bill Griffith	Colorado Interstate Gas	√	√
Ken Schubert	Transcanada Pipeline	√	√
Kathryn Burch	Texas Eastern Gas Transmission	√	√
Janie Nielsen	Kern River Gas Transmission	Phone	√
Jeff Bittel	Texas Gas	Phone	√
Services:			
Keith Sappenfield	Encana Corporaton	Phone	√
Jennifer Chen	Sungard Energy Systems	√	√
Producers:			
End Users:			
LDCs:			
Jennifer Deegas	Washington Gas	Phone	√
Marjorie Perlman	Energy East	Phone	√
Pete Connor	NiSource	Phone	√
Associations:			
NAESB Office			

Bold signifies a BPS Chair

nv – not voting

North American Energy Standards Board

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TO: Posting for Interested Industry Participants
FROM: BPS Chairs (Tina Burnett, Sheri Heslington, Mike Novak, Keith Sappenfield, Kim Van Pelt)
Rae McQuade, Executive Director
RE: Draft Agenda for the WGQ Business Practices Subcommittee - December 3, 2003
DATE: November 24, 2003

NORTH AMERICAN ENERGY STANDARDS BOARD WHOLESALE GAS QUADRANT BUSINESS PRACTICES SUBCOMMITTEE

Conference Call
Wednesday, December 3, 2003
9:00 a.m. – 11:00 a.m. Central

DRAFT AGENDA

Please call the NAESB office (713-356-0060) for the phone number, conference leader, and pass code

1. Administrative:

Welcome, Antitrust,
Attendee Roll Call,
Adoption of Agenda,
Adoption of 11/06/2003 Draft Meeting Minutes,
Adoption of 11/19/2003 Draft Meeting Minutes

2. Review of the following Business Practices Requests:

R03021	National Fuel Gas Distribution	Discussion and possible vote
R03026	SunGard Energy Systems	Discussion and possible vote
R03027	SunGard Energy Systems	Discussion only
R03029	Northern Border Pipeline Company	Discussion only
R03032	National Fuel Gas Distribution	Discussion only

3. Next Meeting(s) and Agenda

4. Adjourn

NAESB WGQ Information Requirements Subcommittee Meeting
November 13, 2003 – 8:30 a.m. – 4:00 p.m. (Mountain Time)
November 14, 2003 – 8:30 a.m. – 12:00 p.m. (Mountain Time)
El Paso Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903

DRAFT MINUTES

1. **Introductions:** Participants introduced themselves
2. **Housekeeping:** Dale Davis provided the housekeeping
3. **Anti-trust Guidelines:** Dale Davis read the anti-trust guidelines
4. **Adoption of Agenda:** The agenda was adopted as posted with no opposition.
5. **Approval of Prior Meeting Minutes & Attachments**
 - October 7, 2003:
The draft minutes for October 7, 2003 and the Attachment 1, as posted, were adopted as final with no opposition.
 - October 21, 2003:
The draft minutes for October 21, 2003, and the Attachment 1, as posted, were adopted as final with no opposition.
6. **Address Current Requests for Initiation or Enhancement of NAESB Standards and items transferred from other NAESB subcommittees** -- Discussion, Q&A and a balanced vote for each item. (The items will be addressed in the order listed until either all items have been addressed or we have run out of time.)

EITF Related Requests

- **R98048 TransCapacity / Skipping Stone**

Request: A new dataset, called "Fuel Matrix Information," and the code value addition to the Data Sets Requested data element in the Upload of Request for Download dataset to support NAESB WGQ Standard. 1.3.30

(Relevant Minutes: EITF 11/4/98 – IR Instruction 9; IR 12/10/02, 1/14/03, 4/2/03, 5/6/03, 6/3/03, 8/5/03, 9/4/03, 10/4/03)

IR Discussion:

Reviewed the work in progress that is the attachment to the minutes from the October 4, 2003 meeting. Modifications to the work product are attached to these minutes.

The group determined that there is no need for EBB usages for this data set because the TSPs already have an EBB requirement to provide the fuel matrix information pursuant to NAESB WGQ Standard 1.3.30. This request develops the comparable EDI way of communicating the fuel information.

NAESB WGQ Information Requirements Subcommittee Meeting
November 13, 2003 – 8:30 a.m. – 4:00 p.m. (Mountain Time)
November 14, 2003 – 8:30 a.m. – 12:00 p.m. (Mountain Time)
El Paso Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903

Discussion turned to the manner in which a party could request the data set. Various options were discussed with no conclusion. Additional discussions on this issue will be included at the next IR meeting.

- **R98040 / R98050 Columbia Gas / TransCanada - Storage Report**

Review and update proposed implementation for recent changes resulting from the EC adoption on June 5, 2003 of the proposed implementations for R98057B and R99024.

(Relevant Minutes: EIITF – 11/4/98, 12/1/98, 1/20/99; IR – 4/11/00, 5/16/00, 6/13/00, 9/12/00; BPS – 11/30/00; IR 12/12/00; Technical 10/8/01; IR 10/9/01, 7/10/03, 8/5/03)

IR Discussion:

The group reviewed the posted work papers. The data set work product and the proposed changes to the Additional Standards Manual as discussed in the meeting are attached to these minutes. It was determined that no changes need to be proposed for the Version Notes section of the Additional Standards Manual.

7. Other Business

The proposed meeting dates for 2004 were discussed. The dates and locations, except for January 2004, are tentative and subject to change. The EC meeting dates reflect the dates established at this time by the NAESB office. The following proposed dates will be submitted to the NAESB Office for confirmation.

January	Albuquerque, NM	Host:	PNM
	13 (T)	IR	
	14 (W)	IR	
	15 (Th)	Technical	
February	EC Location City		
	25 (W)	Technical	
	26 (Th)	WGQ EC	
	27 (F)	IR	
March/April	Location TBD		
	30 (T)	Technical	
	31 (W)	IR	
	1 (Th)	IR	
May	EC Location City		
	5 (W)	Technical	
	6 (Th)	WGQ EC	
	7 (F)	IR	

NAESB WGQ Information Requirements Subcommittee Meeting
November 13, 2003 – 8:30 a.m. – 4:00 p.m. (Mountain Time)
November 14, 2003 – 8:30 a.m. – 12:00 p.m. (Mountain Time)
El Paso Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903

June	Location TBD – EC Location City if WGQ EC held
	21 (M) Technical
	22 (T) IR
	23 (W) IR
	24 (Th) WGQ EC – proposed by the IR / Technical chairs if a WGQ EC meeting is needed
July	Location TBD
	19 (M) Technical (I will be out of town week of 7/26)
	20 (T) IR
	21 (W) IR
August	EC Location City
	25 (W) Technical
	26 (Th) WGQ EC
	27 (F) IR
September	Skip
October	EC Location City if WGQ EC held
	11 (M) Technical
	12 (T) IR
	13 (W) IR
	14 (Th) WGQ EC – proposed by the IR / Technical chairs if a WGQ EC meeting is needed
November	EC Location City
	17 (T) Technical
	18 (W) WGQ EC
	19 (Th) IR
December	Location TBD
	13 (M) Technical
	14 (T) IR
	15 (W) IR

8. Next Meeting Dates and Location

December 9, 2003	8:30 a.m. – 4:00 p.m. Central	Houston, TX
	Host:	Panhandle Eastern

NAESB WGQ Information Requirements Subcommittee Meeting
November 13, 2003 – 8:30 a.m. – 4:00 p.m. (Mountain Time)
November 14, 2003 – 8:30 a.m. – 12:00 p.m. (Mountain Time)
El Paso Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903

9. Adjourn

NAESB WGQ Information Requirements Subcommittee Meeting
November 13, 2003 – 8:30 a.m. – 4:00 p.m. (Mountain Time)
November 14, 2003 – 8:30 a.m. – 12:00 p.m. (Mountain Time)
El Paso Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903

Meeting Attendees and Voting Record

Attendee	Organization	11/13/03	11/14/03	NAESB Member?
<u>Pipelines:</u>				
Kathryn Burch	Duke Energy Gas Transmission	√	√	√
Christopher Burden	Williams Gas Pipeline	√ (nv)	√ (nv)	√
Dale Davis	Williams Gas Pipeline	√	√	√
Mark Gracey	Tennessee Gas Pipeline	√	√	√
Bill Griffith	Colorado Interstate Gas	√	√	√
Tran Kimbel	Dominion Transmission	√	√	√
Janie Nielsen	Kern River Gas Transmission Company	√		√
Micki Schmitz	Northern Natural Gas	√	√	√
Donna Scott	Transwestern Gas	√	√	√
Mike Stender	El Paso Natural Gas	√	√	√
Kim Van Pelt	Panhandle Eastern Pipe Line	√	√	√
Randy Young	Gulf South Pipeline Company, LP	√	√	√
<u>Services:</u>				
Greg Dodson	Dominion Resources Services, Inc.	√	√	√
<u>Producers:</u>				
<u>End Users:</u>				
<u>LDCs:</u>				
<u>Associations:</u>				

Bold signifies Chair

nv – not voting

**NAESB WGQ Information Requirements Subcommittee Meeting
December 9, 2003 – 8:30 a.m. – 4:00 p.m. (Central Time)
Panhandle Eastern Pipeline
5444 Westheimer (Check In On 7th Floor)
Houston, TX**

DRAFT AGENDA

NOTE: For security purposes please advise the NAESB Office if you plan to attend so that a list can be provided to the host company.

Please note: In keeping with policies that have been observed for many years by IR chairs, participation in this meeting by telephone will not be available.

- 1. Introductions**
- 2. Housekeeping**
- 3. Anti-trust Guidelines**
- 4. Adoption of Agenda**
- 5. Approval of Prior Meeting Minutes & Attachment**
 - November 13-14, 2003
- 6. Address Current Requests for Initiation or Enhancement of NAESB Standards and items transferred from other NAESB subcommittees** -- Discussion, Q&A and a balanced vote for each item. (The items will be addressed in the order listed)

EIITF Related Requests

- **R98048 TransCapacity / Skipping Stone**

Request: A new dataset, called "Fuel Matrix Information," and the code value addition to the Data Sets Requested data element in the Upload of Request for Download dataset to support NAESB WGQ Standard. 1.3.30

(Relevant Minutes: EIITF 11/4/98 – IR Instruction 9; IR 12/10/02, 1/14/03, 4/2/03, 5/6/03, 6/3/03, 8/5/03, 9/4/03, 10/7/03, 11/13/03)

See Draft Minutes - Attachment – R98048 from the November 13-14 IR meeting

- **R98040 / R98050 Columbia Gas / TransCanada - Storage Report**

Review and update proposed implementation for recent changes resulting from the EC adoption of the recommendations for R98057B and R99024 (adopted by the EC June 5, 2003) and AP03006 (adopted by the EC 10/9/03 and modified by IR 10/21/03 subject to EC approval).

**NAESB WGQ Information Requirements Subcommittee Meeting
December 9, 2003 – 8:30 a.m. – 4:00 p.m. (Central Time)
Panhandle Eastern Pipeline
5444 Westheimer (Check In On 7th Floor)
Houston, TX**

(Relevant Minutes: EIITF – 11/4/98, 12/1/98, 1/20/99; IR – 4/11/00, 5/16/00, 6/13/00, 9/12/00; BPS – 11/30/00; IR 12/12/00; Technical 10/8/01; IR 10/9/01, 7/10/03, 8/5/03; EC 10/9/03; IR 10/21/03, 11/13/03)

See Draft Minutes - Attachment – R98040 & R98050 from the November 13-14, 2003 IR meeting

7. Other Business

8. Next Meeting Dates and Location

9. Adjourn

NOTE 1: This is an Information Requirements meeting only, not a joint IR/BPS meeting. As such, discussion will focus on implementation of requests and sense of the room votes on the proposed implementation scheme, as opposed to discussion regarding new or modified business practice standards.

NOTE 2: The Chair has the discretion to extend meeting times to complete the agenda.

North American Energy Standards Board

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TO: NAESB WGQ Technical Subcommittee Participants
Posting for Interested Industry Participants

FROM: Rae McQuade, Executive Director
Kim Van Pelt, Chairman, NAESB Technical Subcommittee

RE: **Draft Agenda** for NAESB WGQ Technical Subcommittee Meeting – November 12, 2003

DATE: October 31, 2003

NAESB WGQ Technical Subcommittee Meeting

Wednesday, November 12, 2003

8:30a.m.-4:00p.m.

El Paso West – Colorado Interstate Gas
2 North Nevada Avenue
Colorado Springs CO

REVISED DRAFT AGENDA

1. Welcome and Introductions
2. Anti-trust Warning
3. Adoption of Agenda
4. Adoption of Meeting Minutes
October 06, 2003
5. Address Current Requests for Initiation or Enhancement of GISB Standards
R98040/R98050 (Storage Report data set)
R98081/R98082 (Measurement Events and Alarms data set)
Transactional Reporting
(order of the requests will be determined in the meeting)
6. Other Business
7. Next Meeting Date and Location
8. Adjourn

*Please RSVP to NAESB Office for security purposes.



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TO: Retail Electric Quadrant, Retail Gas Quadrant and Wholesale Gas Quadrant Interested Parties
FROM: Mark Jarrett, Southern Company
RE: Draft Agenda for Retail Electric Quadrant/Retail Gas Quadrant TEIS and Wholesale Gas Quadrant EDM Meeting – November 17-18, 2003
DATE: November 12, 2003

NORTH AMERICAN ENERGY STANDARDS BOARD
RETAIL ELECTRIC QUADRANT/RETAIL GAS QUADRANT TEIS
and
WHOLESALE GAS QUADRANT EDM

[November 17, 2003 \(10:00 – 6:00 Eastern\)](#)
[November 18, 2003 \(8:00 – 3:30 Eastern\)](#)

MEETING ANNOUNCEMENT

The Technical Electronic Implementation Subcommittee (TEIS) will hold a face-to-face working session to advance progress on the Electronic Delivery Mechanism Annual Plan deliverable. Below are the meeting arrangements:

WHERE:

Hosted by Southern Company
Atlanta, GA

A conference call number will be available. Please contact the NAESB office for conference calling information.

Any materials for the meeting will be posted on the NAESB web site at:
http://www.naesb.org/req_teis.htm

The meeting is open to any interested party. As always, the chair reserves the right to extend the time of the meeting to ensure that agenda items are addressed.

Best Regards,
Mark Jarrett



North American Energy Standards Board

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RETAIL ELECTRIC QUADRANT/RETAIL GAS QUADRANT TEIS and WHOLESale GAS QUADRANT EDM FACE-TO-FACE WORK SESSION

AGENDA

November 17-18, 2003

1. Welcome
 - Welcome to members and attendees
 - Roll Call
 - Antitrust Guidelines
 - Adoption of Agenda
 - Adoption of Draft Minutes, October 14-15, 2003
2. Continued Review of Internet ET Working Papers
3. Gap Analysis for Internet ET Publication
4. Review of Data Dictionary Business Processes
5. Other Business
6. Adjourn



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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via email and posting

TO: NAESB WGQ Interpretations Subcommittee: Sylvia Munson, Keith Sappenfield, Sheri Heslington, Paul Keeler, Paul Love, Shelley Corman, Tina Burnett, Diane McVicker, Mike Novak, Steve Sullivan, and Posting for Interested Parties

FROM: Leona Banning, NAESB Staff

RE: Wholesale Gas Quadrant Interpretations Subcommittee Meeting Minutes – October 16, 2003

DATE: ~~October 16~~[November 6](#), 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
WGQ INTERPRETATIONS SUBCOMMITTEE CONFERENCE CALL
October 16, 2003, 9:00 a.m. to 10:00 a.m. Central
Revised Draft Minutes**

1. Welcome & Administrative Items

Ms. Munson welcomed meeting participants. Mr. Oncken gave the antitrust advice. Ms. Munson reviewed the agenda. Mr. Love moved, seconded by Ms. McVicker, to adopt the agenda. The motion passed unanimously. Mr. Love moved, seconded by Mr. Novak, to adopt the draft minutes as posted for ~~of~~ the May 9, 2003 WGQ Interpretations Subcommittee meeting as ~~written~~final. The motion passed unanimously.

2. Discussion and potential vote on request C03006

Request C03006: Mr. Novak reviewed the request. In Request C03006, National Fuel Gas Distribution Corporation requested clarification on Section 14.10 of the Base Contract for Sale and Purchase of Natural Gas, which permits disclosure of information related to calculation of a published gas price index. Does this information include the identity of the counterparty?

Mr. Novak explained that the contract language is general, lending itself to differences in understanding among contract parties, which in turn could lead to disputes between buyers and sellers. Mr. Novak suggested that the group determine first, whether there is an interpretation to be made by the Interpretations Subcommittee, then, if so, how to handle the interpretation -- keeping in mind that the FERC could agree, disagree, or remain silent on the issue, which would hinder the goal to get some certainty into the contract language. Ms. Davis ~~asked~~stated that if the Interpretations Subcommittee determines that the contract language is open to interpretation, then effectively what is being requested ~~is to modify the contract to provide clarity. If that is the case, then~~whether the Contracts Subcommittee would be the appropriate group to address the issue~~provide clarification, should the Interpretations Subcommittee decide that the contract language is open to interpretation.~~ The attendees discussed proper disposition of request C03006, and agreed that based on the current language in the contract, buyers and sellers could have differing interpretations on whether or not to give the counterparties' identity. Accordingly, the group determined that it is logical and appropriate for the Interpretations Subcommittee to so state and to forward the issue to the Contracts Subcommittee for further action.



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Ms. Corman submitted the following motion: “The Interpretations Subcommittee concurs that the language in Section 14.10 of NAESB WGQ Standard 6.3.1 (Base Contract for Sale and Purchase of Natural Gas) is ambiguous as to whether counterparty identity can be released and that the Subcommittee finds no basis for interpretation. The Interpretations Subcommittee hereby transfers this matter to the Contracts Subcommittee to determine if further action is necessary.” Ms. McVicker seconded the motion. There were no dissenting votes. Ms. Munson noted that the motion passed in teleconference and that because only five of the ten Interpretations Subcommittee members attended, thus resulting in no clear majority on the vote, the motion will be sent out for notational vote to the parties not on the phone.

Subsequent to the call, notational votes in favor of the motion were received from Paul Keeler of Burlington Resources Trading Inc. and Keith Sappenfield of EnCana. The motion passed.

3. Other Business

A subsequent meeting was not scheduled.

4. Adjourn

Ms. Munson thanked those in attendance for their participation and adjourned the call at 9:45 a.m. Central.

5. Meeting Attendees:

Name	Company	Notes / NAESB Member
Leona Banning	NAESB	Administrative
Jeff Bittel	Texas Gas Transmission, LLC	<u>Member</u>
Kathryn Burch	Duke Energy (Texas Eastern Transmission, LP)	<u>Member</u>
Shelley Corman	Transwestern Pipelines	Member
Dale Davis	Williams Gas Pipeline	<u>Member</u>
Bill Griffith	El Paso	<u>Member</u>
Jason Klein	BG LNG Services	
Paul Love	NGPL	Member
Diane McVicker	Salt River Project	Member
Sylvia Munson	Ecom	Member
Michael Novak	National Fuel Gas Distribution Corporation	Member
Todd Oncken	NAESB	Administrative
Mark Scheel	Chevron/Texaco Natural Gas	<u>Member</u>
Donna Scott	Transwestern Pipeline Company	<u>Member</u>
Maria Stateman	KeySpan Energy	<u>Member</u>
Kim Van Pelt	Panhandle Eastern Pipeline	<u>Member</u>

Bold Signifies Interpretations Subcommittee Member

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, REQ, RGQ, WGQ Meeting Materials
December 9-11, 2003

TAB 18

WGQ: 2004 Annual Plan

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NORTH AMERICAN ENERGY STANDARDS BOARD

2004 WGQ Annual Plan Approved by the Board of Directors, 12-4-03

Item Description	Completion ¹	Assignment
Contracts		
Electronic Delivery Mechanisms and Related Activities		
1 Preparation of documents and submission of EDM standards to ANSI for approval as ANSI standards.	3 rd Qtr 2004	EDM Subcommittee
2 Explore additional possibilities for partnership with the Department of Energy. Sandia Review of security and reliability of version 1.7. Status: Pending, Discussion Underway	3 rd Qtr 2004	EC Officers
3 Review and enhance security standards as required by technological changes. Review security standards as may be deemed necessary, e.g. Public Key Infrastructure (PKI). Status:	2 nd Qtr 2004	EDM Subcommittee
4 Review of minimum technical characteristics in Appendices C, D, and E of the EDM Manual. Status:	4 th Qtr 2004	EDM Subcommittee
5 Prepare a common NAESB Electronic Transport (ET) and WGQ Quadrant Electronic Delivery Mechanism (WGQ QEDM) manuals using the version 1.6 NAESB WGQ EDM tab 6 and applicable 4.x.x standards as a base.	2 nd Qtr 2004	EDM Subcommittee

Standards Implementation

Provisional Activities²

FERC order -- Docket No. RM01-10-000 (Affiliate Order).

Subsequent FERC orders – Docket No. RM 96-1 (Creditworthiness)

¹ Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

² To the extent that it is determined that any of the provisional activities should be worked upon during the year as a result of a specific request for standards development or a FERC action, the Board has the discretion to modify the annual plan. Additionally, provisional activities will remain on the Annual Plan for one year pending the filing of a formal request or a decision to add them to the plan as active items.

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Item Description	Completion¹	Assignment
Review of ISDA Gas Annex.		
Intraday nomination issues.		
Program of Standards Maintenance & Fully Staffed Standards Work³		
Business Practice Requests	Ongoing	Assigned by the EC on a request by request basis
Continue review against plan for migration to ANSI ASC X12 new versions as needed and coordinate such activities with DISA.	Ongoing	ANSI (X12) Subcommittee
Information Requirements and Technical Mapping of Business Practices	Ongoing	Assigned by the EC on a request by request basis
Ongoing Interpretations for Clarifying Language Ambiguities	Ongoing	Assigned by the EC on a request by request basis
Ongoing Maintenance of Code Values and Other Technical Matters	Ongoing	Assigned by the EC on a request by request basis

- Notes: (a) Priority is given to action items that are carry-overs from the 2002 Annual Plan.
- (b) Any new activity should be preceded by a request from the submitter after which the annual plan will be revisited. The provisional items would only be addressed after a request is submitted or an order is issued by the FERC.

³ This work is considered routine maintenance and thus the items are not separately numbered.

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, REQ, RGQ, WGQ Meeting Materials
December 9-11, 2003

TAB 19

WGQ: Creditworthiness Items

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Dominion Cove Point LNG, LP

Docket No. RP03-545-001

ORDER ON COMPLIANCE

(Issued November 18, 2003)

1. On September 2, 2003, Dominion Cove Point LNG, LP (Cove Point) filed revised tariff sheets in compliance with the Commission's order issued on August 1, 2003.¹ The Commission, however, finds that Cove Point has not fully complied with the directives of our earlier order. Accordingly, for the reasons discussed in the body of this order, the Commission will conditionally accept Cove Point's revised tariff sheets,² to be effective August 1, 2003, subject to further modification.

I. Background

2. On July 1, 2003, Cove Point filed revised tariff sheets to modify its capacity release provisions. Among the revisions, Cove Point proposed to require that non-creditworthy replacement shippers be subject to pre-qualification and bidder eligibility standards. Calpine Corporation (Calpine) and Reliant Energy Services, Inc., however, objected to the proposed revisions claiming that the new provisions would be unreasonable and unworkable.

3. In the August 1 Order, the Commission found that Cove Point's tariff provision requiring prequalification of bidders for capacity release is not workable and may not be reasonable. The Commission specifically found that: (1) Cove Point could establish a tariff provision requiring pre-qualification as long as the releasing shipper had the right to waive that requirement; (2) consistent with Order No. 637, the releasing shipper should have the option of assuming liability for usage charges in the event a replacement shipper defaults; (3) Cove Point's proposal did not provide a timely procedure by which the

¹104 FERC ¶ 61,184 (2003) (August 1 Order).

²Substitute Second Revised Sheet No. 240 and Substitute First Revised Sheet Nos.241 and 243 to FERC Gas Tariff, Original Volume No. 1.

replacement shipper could not only obtain, but also maintain its pre-qualified status on a continuing basis; and (4) Cove Point's proposal did not specify how much collateral a non-creditworthy replacement shipper would be required to post when it bids on available capacity. The Commission, therefore, directed Cove Point to either withdraw this proposal or clearly explain how it would operate in a practical manner.

II. Compliance Filing

4. In order to comply with the August 1 Order, Cove Point modified Section 10(a)(4)(i) of its General Terms and Conditions (GT&C) which describes the requirements of eligibility to bid on released capacity. Specifically, Cove Point added tariff language stating that it will waive the creditworthiness pre-qualification requirement on a non-discriminatory basis for bidders if the releasing shipper provides Cove Point with a guarantee or other form of credit assurance for all financial obligations of the replacement shipper. In the alternative, Cove Point states that if a potential bidder does not meet its creditworthiness standards, it may still qualify for participation in the release program if it provides an adequate assurance of payment as described in Section 6(e)(ii) of the GT&C.³

5. In the August 1 Order, the Commission also found that Cove Point included tariff language that appeared to improperly restrict segmentation by capacity release to primary receipt and delivery points. However, Commission policy states that releasing shippers may release a segment of capacity to a replacement shipper seeking to utilize primary points, and if available, secondary points.⁴ In response, Cove Point has modified Section 10(b)(6)(vi) to expand the location of capacity to be released to allow releasing shippers to specify the location of the capacity to be released at any receipt and delivery point.⁵

³Section 6(e)(ii) specifies that an adequate assurance of payment includes: (a) deposit equal to two months of reservation and estimated commodity charges; (b) advance payment of service at the time service is scheduled; (c) irrevocable letter of credit; (d) guarantee from a creditworthy entity; or (e) surety bond from an acceptable insurance company.

⁴August 1 Order, at P 10.

⁵The Commission finds that the revisions to this Section are in full compliance with the August 1 Order, and are therefore accepted without further discussion.

III. Notice of Filing and Responsive Pleadings

6. Public notice of Cove Point's filing was issued on September 5, 2003. A timely protest was filed by Calpine. Cove Point subsequently filed an answer in response to Calpine's pleading, and the KeySpan Delivery Companies (KeySpan) filed a late motion to intervene after the August 1 Order was issued, as well as an answer.

7. Although Rule 213(a) of the Commission's Rules of Practice and Procedure⁶ does not allow for answers to protests, the Commission will grant waiver of this Rule and permit the answer of Cove Point as it provides information that aids the Commission in resolving issues raised by the filing. We will deny, pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, KeySpan's late motion to intervene and answer in this proceeding.⁷ When late intervention is sought after the issuance of an order, the prejudice to the other parties and the burden can be substantial. Thus, movants bear a higher burden to demonstrate good cause for granting such late intervention.⁸ The Commission finds that KeySpan has not met that burden.

IV. Calpine's Protest

8. Calpine argues that Cove Point failed to comply with the Commission's directives in the August 1 Order and requests that the Commission reject Cove Point's proposal. Among its arguments, Calpine states that the revised tariff language incorrectly provides that in the event that Cove Point waives the pre-qualification requirement, the releasing shipper would have to either provide a guarantee or other form of credit assurance to "all financial obligations" of the replacement shipper stemming from the release. Calpine contends that: (1) it is the releasing shipper, not Cove Point, who is entitled to waive the prequalification; and (2) the Commission has held that the releasing shipper is responsible for paying the reservation charge, not "all financial obligations" of the replacement shipper, in the event the replacement shipper defaults.

9. Calpine also continues to argue that Cove Point's prequalification proposal remains unworkable and is not reasonable. Calpine states that Cove Point failed to address the Commission's concerns which were discussed in the August 1 Order, i.e., (a) Cove Point failed to provide a procedure by which the replacement shipper can maintain its pre-qualified status; (b) Cove Point's proposal was unclear on how the level

⁶18 C.F.R. § 385.213(a) (2003).

⁷18 C.F.R. § 385.214 (2003).

⁸North Baja Pipeline, L.L.C., 99 FERC ¶ 61,028 (2002).

of security would be determined when a non-creditworthy shipper bids on capacity; and (c) Cove Point's tariff did not address how a replacement shipper can pre-qualify in light of the compressed time frame in which capacity release auctions operate.

10. Calpine also takes issue with Cove Point's proposal that a non-creditworthy replacement shipper must post up to two months of security prior to the bidding cycle. Calpine states that such a proposal is unjust, unreasonable, and not in the public interest. Calpine argues that such a proposal would be a burdensome and inefficient use of a shipper's capital since the proposal would require the customer to post the collateral based on its bid, and not on how much capacity is ultimately awarded.

11. Moreover, Calpine does not believe that it is equitable for customers to post security prior to being awarded the capacity, arguing that customers should not have to be required to continually post security just to be on an approved bidders list. Instead, Calpine states that only after a shipper has been awarded capacity is there any financial risk associated with a transaction. In such a situation, Calpine concedes that collateral in an amount up to three months of service charges would sufficiently address Cove Point's financial risk for existing capacity.

12. Finally, Calpine states that Cove Point's existing tariff language requires non-creditworthy releasing shippers to continue to post collateral on capacity that has been released on a temporary basis to a creditworthy replacement shipper. Calpine states that this is unduly burdensome and discriminatory to non-creditworthy shippers and argues if a non-creditworthy releasing shipper is required to maintain collateral on released capacity during the term of the capacity release, the pipeline is in effect receiving double the needed credit support (once from the collateral posted by the non-creditworthy releasing shipper and a second time from having a creditworthy replacement shipper or collateral posted by a non-creditworthy replacement shipper). Calpine therefore requests that the Commission require Cove Point to state in its tariff that, upon a non-creditworthy shippers' temporary release of capacity to a creditworthy replacement shipper, the non-creditworthy releasing shipper is released of its collateral obligations until one month prior to the expiration of the capacity release.

13. In Cove Point's answer, it states its proposal, as amended, clearly allows a releasing shipper to waive the pre-qualification requirements if that shipper assumes the risk of commodity charges in the event the replacement shipper defaults. Moreover, in responding to Calpine's argument that: (1) it is the releasing shipper's option, not Cove Point's, to waive the prequalification requirement; and (2) the releasing shipper is not liable for "all financial obligations" of a defaulting replacement shipper; Cove Point offers to revise the proposed Section 10(a)(4)(i) to include the following:

[Cove Point], upon a Releasing Customer's request, will waive this pre-qualification requirement on a non-discriminatory basis for bidders on a

release request if Releasing Customer assumes liability for the commodity charges or posts a bond or other form of credit assurance for the commodity charges with respect to the capacity being released by Releasing Customer prior to the commencement of service to the Replacement Customer.

V. Commission's Determination

14. In the August 1 Order, the Commission determined that the prequalification requirement for creditworthiness was not necessary to protect the pipeline, because the pipeline need not flow gas until it has determined that the winning bidder is creditworthy.⁹ However, the releasing shipper could be at risk if the replacement shipper does not pre-qualify, because it could lose release revenues in the event that the replacement shipper cannot meet the pipeline's creditworthiness standards. On the other hand, the releasing shipper might not want to require prequalification if it wanted to expand the class of eligible bidders. Therefore, the Commission required Cove Point to modify its prequalification provision to state that the releasing shipper may waive this requirement on a non-discriminatory basis for any release offer.¹⁰

15. In the event the releasing shipper chooses to waive the pre-qualification requirement, the Commission provided that the releasing shipper has two options: (1) it can either require the replacement shipper to satisfy the applicable collateral requirements upon the completion of the award process prior to gas flow under the release; or (2) it can choose to assume responsibility in the event the replacement shipper defaults on its contractual obligation either for the entire duration of the release or until such time as the replacement shipper satisfies the collateral requirements.

16. In addition, the Commission required Cove Point to specify how, under its proposal a non-creditworthy replacement shipper will be able to maintain its pre-qualified status "on a continuing basis" (as proposed by Cove Point).

17. Cove Point's filing in this case fails to comply with the Commission's directives in the August 1 Order. First, its proposed tariff revision, while permitting the releasing shipper to waive the prequalification requirement, mandates that if the releasing shipper does so, the releasing shipper must assume liability for the commodity charges or post a bond or other form of credit assurance for the commodity charges. This provision does not comply with the Commission's requirement that the releasing shipper be given the option to waive the prequalification requirement while continuing to insist that the

⁹August 1 Order, at P 7.

¹⁰August 1 Order, at P 8.

replacement shipper post the necessary collateral prior to the commencement of service.¹¹ Further, Cove Point has failed to propose any method by which a non-creditworthy replacement shipper can maintain its pre-qualified status “on a continuing basis.”

18. The Commission, therefore, will require Cove Point to remove the requirement that the shipper maintain its pre-qualified status “on a continuing basis,” since Cove Point has provided no method for this to be done. If the releasing shipper does not waive the prequalification requirement, the replacement shipper will be required to post applicable collateral by the close of the bidding period in order to have its bid considered.¹² This requirement that non-creditworthy shippers post collateral by the end of the bid period will ensure that the bidder that is awarded the capacity will meet the pipeline’s creditworthiness standards, thereby preventing any complications with the timely release of the capacity.

19. Accordingly, the Commission will require Cove Point to revise its tariff in the following respects. First, Cove Point must modify Section 10(a)(4)(i) to provide the following:

Any party desiring to submit a bid under this Section must first pre-qualify by demonstrating that it meets the creditworthiness standards of Section 3 and Section 6 of the General Terms and Conditions of Operator's Tariff. Upon a releasing shipper’s request, Operator will waive this prequalification requirement on a non-discriminatory basis. Depending on whether the releasing shipper waives the requirement, the following conditions will apply:

(1) In the event that the requirement for prequalification applies, the replacement shipper must satisfy the creditworthiness provisions, including the posting of collateral, prior to the close of the bidding period in order to have its bid considered.

(2) In the event the releasing shipper waives the prequalification requirement for a shipper that does not meet the creditworthiness standards of Section 3 and

¹¹See *Equitrans, L.P.*, 99 FERC ¶ 61,210, at P18 (2002) (pipeline may “permit, but not require, releasing shippers to assume responsibility for usage charges and penalties).

¹²If the releasing shipper has waived the prequalification requirement, the replacement shipper would have to post collateral after the bidding is completed prior to the use of the capacity, unless the releasing shipper opts to guarantee the payment of usage and other surcharges.

Section 6 of the General Terms and Conditions of Operator's Tariff, the releasing shipper may either:

(a) require the replacement shipper to satisfy the creditworthiness provisions, including the posting of collateral, prior to service being provided to the replacement shipper, or

(b) prior to the commencement of service to the Replacement Customer, assume liability for the commodity charges or post a bond or other form of credit assurance for the commodity charges with respect to the capacity being released by Releasing Customer either for the entire duration of the release or until such time as the replacement shipper satisfies the collateral requirements.

20. Second, the Commission will require Cove Point to modify its collateral requirements to ensure that collateral need not be posted for longer than the duration of the release. Section 6(e)(2)(1) provides that a non-creditworthy shipper must provide “an amount equal to two (2) months of Reservation and estimated Commodity charges for the service....” This provision would require that collateral be posted for two months even if the capacity is only available for a shorter period. Cove Point should not be able to insist on collateral that is greater than the time period for which the capacity is available, and, therefore, must modify its tariff to ensure that collateral must be provided for two months or for a period corresponding to the shorter time period for which the capacity is available.

21. Calpine maintains that non-creditworthy shippers should not be required to post collateral prior to being awarded that capacity. In the August 1 Order, the Commission determined that, in balancing the rights of releasing and replacement shippers, releasing shippers should be permitted to require replacement shippers to establish creditworthiness prior to the assignment of capacity to “avoid the possibility that the release cannot be completed due to the winning bidders’ failure to meet the pipeline’s creditworthiness standards.”¹³ Calpine has not sought rehearing of that determination. This filing is designed only to comply with the August 1 Order, and, therefore, Calpine’s protest goes beyond the scope of the compliance filing and is denied.

22. Calpine further argues that the requirement in the filing that the replacement shipper must continuously maintain collateral is “too much of an administrative and cost burden” on non-creditworthy shippers, and will “tie up” capital simply in order to gain access to Cove Point’s capacity release market. As discussed above, the Commission

¹³August 1 Order, at P 8.

agrees with Calpine and has rejected Cove Point's requirement that the replacement shipper continuously post collateral.¹⁴

23. Calpine also argues that requiring two months of collateral based on the replacement shipper's bid is unjust and unreasonable, because it bases collateral on the amount of the bid, rather than the amount of capacity awarded. The Commission finds, however, that it is reasonable to require bidders to post collateral for the entire amount of their bid, since they may be awarded capacity up to that level.¹⁵

24. Calpine maintains that a non-creditworthy shipper should be released of its collateral obligations if it temporarily releases capacity to a creditworthy replacement shipper. In the August 1 Order, the Commission made clear that its long-standing policy, since Order No. 636, is that in capacity release situations, both the releasing and replacement shippers must satisfy a pipeline's creditworthiness requirements.¹⁶ Again, Calpine did not seek rehearing of this requirement, and its protest, therefore, goes beyond the scope of the compliance filing, and is denied.

¹⁴Moreover, upon the close of the bidding period, the pipeline must immediately release any collateral that has been posted by non-winning non-creditworthy bidders.

¹⁵ See PJM Interconnection, L.L.C., 104 FERC ¶ 61,309 (2003) (reasonable to require bidder to provide sufficient collateral to cover its bids).

¹⁶August 1 Order, at P 7, n.5. See also Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation; and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, Order No. 636, FERC Statutes and Regulations, Regulations Preambles, January 1991-June 1996 ¶ 30,950 at 30,588 (1992). Under the capacity release regulations, 18 C.F.R. §284.8(f) (2003), the releasing shipper remains obligated under its contract to the pipeline, and must, therefore, satisfy the creditworthiness and other obligations associated with that contract, regardless of how many subordinate releases take place. For example, even if a replacement shipper is creditworthy, it may default and the releasing shipper would be responsible for payment. Moreover, given the ability of releasing shippers to recall and segment releases, both the releasing and replacement shippers need to be creditworthy to ensure their respective obligations.

The Commission orders:

(A) Cove Point's compliance filing is hereby accepted, in part, and rejected, in part, as discussed in the body of this order.

(B) Cove Point is hereby directed, within 20 days of the date this order issues, to file revised tariff sheets consistent with the discussion in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

WGQ Standard 5.3.zD - Except where a releasing shipper waives a prequalification requirement pursuant to The a Transportation Service Provider (TSP)-'s tariff and agrees to assume liability and/or provide credit assurance for TSP commodity charges incurred by the Service Requester (SR) with respect to the capacity release, the 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.