



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002
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Home Page: www.naesb.org

TO: NAESB Wholesale Gas Quadrant Executive Committee, Posting for Interested Industry Participants

FROM: Meghan McMillan, NAESB Staff

RE: Final Minutes from the NAESB Wholesale Gas Quadrant Executive Committee Conference Call – March 11, 2003

DATE: March 12, 2003

**Wholesale Gas Quadrant
Executive Committee Creditworthiness Call
March 11, 2003, 10:00 a.m. – 11:00 a.m. Central**

1. Welcome

Ms. McQuade called roll. Mr. Buccigross welcomed participants and gave the antitrust guidelines. Mr. Sappenfield moved, seconded by Ms. McVicker, to adopt the agenda. Upon a procedural vote the agenda was adopted as written.

2. Discussion of Motion 1 and vote

Mr. Buccigross read the motion into the record as follows: “Modify the NAESB WGQ BPS¹ Creditworthiness Work Plan to include before item II G. discussion on possible standards that would implement FERC creditworthiness policies established under recent FERC Orders under a Work Plan topic entitled: “Maximum level of Credit Alternatives.” Mr. Sappenfield moved the motion, and Ms. McVicker seconded.

Mr. Novak asked for a review of guidance provided by the Board Managing Committee. Mr. Buccigross noted the Managing Committee was asked for guidance concerning what should and should not be discussed by the Executive Committee concerning policy. He noted Mr. Costan prepared a draft memo which was discussed and modified during the Managing Committee meeting. The memo is posted at the following URL: <http://www.naesb.org/pdf/bd032003w2.pdf>. Mr. Buccigross read excerpts from the memo, which notes that it is permissible to discuss policy in an effort to further the progress of standards development, but unless at Board direction, NAESB does not develop policy.

Ms. Chezar voiced concern that it is premature to add the above item to the workplan as the BPS needs feedback from FERC after the June 1 report is filed by NAESB with the FERC, before pursuing any further standards development.

Mr. Hinnners noted FERC’s instructions were to determine if standards can be developed, and then to provide voting records, minutes, transcripts, and other supporting documents to them for review as part of the June 1 report. And the feedback from this review would determine if any further action by NAESB is required, or if the Commission will pursue this item on its own. He suggested the EC amend the work plan to include other areas that appear to be part of the FERC policy process so the scope of the work plan could be expanded to include discussion concerning as many areas of interest to the FERC as possible.

Mr. Young noted the subcommittee can discuss this issue, but he feels it is strictly a policy issue and will eventually be determined by FERC. He voiced concerns that discussing this item will waste valuable time in the subcommittee.

1 BPS – Business Practices Subcommittee.



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Mr. Novak stated the BPS is still discussing item IID and items IIF and IIG still remain outstanding, and noted he had concerns in adding any additional items to the work plan. He added it is feasible to add these items but the subcommittee would most likely not have time to fully explore them before the June 1 deadline. Mr. Novak asked for guidance on the issue of antitrust before proceeding further. Mr. Buccigross stated it is Mr. Costan's opinion that this is not an antitrust issue.

Mr. Hinners summarized that the motion establishes a topic for dialogue, which is exactly what the FERC requested. Further, he asserted the discussion the BPS would have regarding the proposed item is useful in providing real stakeholder input on the topic to the FERC. Mr. Novak requested the group discuss how adding these two items would effect the June 1 date. Mr. Busch asked if NAESB has talked to FERC about their expectations for issues such as these. Ms. McQuade stated in talking with FERC it was clear that if there are policy issues preventing the group from developing standards, the Commission would appreciate a record of that conversation and a notation of which policies are unclear. Mr. Buccigross added that the FERC is expecting to receive either a report or standards or both as of June 1 whether BPS has completed the work plan or not. Mr. Novak suggested the work plan remain as is and NAESB would wait for further feedback from the FERC before adding additional items.

Mr. Sappenfield suggested the BPS determine the priority of this item, and offered to amend his motion to and add the language "priority to be determined by the BPS" at the end of the motion, and to delete the language "before item II G." to allow this item to be added to the end of the work plan. The suggested modifications were approved.

Mr. Sappenfield called the question, seconded by Ms. McVicker. Upon a procedural vote, the motion to call the question passed.

The final motion read as follows: "Modify the NAESB WGQ BPS Creditworthiness Work Plan to include discussion on possible standards that would implement FERC creditworthiness policies established under recent FERC Orders under a Work Plan topic entitled: "Maximum level of Credit Alternatives;" priority to be determined by the BPS.

A roll-call vote was taken and the raw results were as follows: 9 in favor and 10 opposed. Balanced voting results were as follows: 4.67 in favor and 5.33 opposed. Ms. Van Pelt requested that for future reference, any votes taken as balanced should be announced as such prior to the vote. Some participants voiced concerns about conducting a balanced vote at an EC meeting. After extended debate, Ms. McQuade volunteered to consult NAESB's general counsel, Mr. Costan, regarding proper procedure for voting on such motions at an EC meeting. Mr. Hinners suggested the proper procedure be determined before the vote is called final. It was agreed to postpone recording the final results of the vote until counsel could be consulted.

[Subsequent to the meeting, the following announcement was made regarding proper voting procedure for the motions made during the meeting:

"To answer the question that arose in today's conference call, the WGQ EC votes on motions to amend the BPS work plan are simple majority votes. As such, the two motions considered today fail. (The first motion was 9 in favor and 10 opposed for simple majority and as balanced votes 5.33 in favor and 4.67 opposed, and the second motion was a tie vote of 9 to 9 with a balanced vote of 6 in favor to 4 opposed.)

In review of the certificate and bylaws, the below references note that the EC votes either by supermajority (67% of the quadrant and 40% of each segment within the quadrant) for specific actions to adopt, promulgate, amend, revise, modify, interpret, or rescind a standard, or by



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simple majority for all other purposes. Simple majority becomes a defined term in the bylaws when more than one quadrant is voting.

Below are the relevant sections of the certificate and bylaws.

Certificate:

Article V, "Voting" Section 1.

All actions within the respective responsibilities of the Board and the Executive Committee, as the case may be, shall be by majority vote, except as otherwise provided in this Certificate of Incorporation. A quorum shall be a majority of the Board or Executive Committee, respectively.

Article V, "Voting" Section 4.

An affirmative vote of at least sixty-seven percent (67%) from each of the applicable Quadrant(s) of the Executive Committee, including an affirmative vote of at least forty percent (40%) from representatives of each Segment within each of the applicable Quadrant(s), which vote must be ratified by a sixty-seven percent (67%) affirmative vote of those members of the applicable Quadrants of the general membership voting, shall be required to adopt, promulgate, amend, revise, modify, interpret, or rescind a standard. No quorum of the members shall be required for such vote.

And the Bylaws:

Article 1, "Definitions," Section 1.1, "Definitions," C."

Balanced Voting" means that, in the context of EC Subcommittees and task forces, with respect to Standards/Model Business Practices development, voting is governed by rules and procedures that provide for balance of interests among industry Segments and Quadrants participating in NAESB so as to avoid having any one interest exert undue influence over any decision.

Article 1, "Definitions," Section 1.1, "Definitions," J."

Majority" means a simple majority of each of the applicable Quadrants for the purposes of voting.

Article 6 - "Meetings of Members," Section 6.9 "Voting on Particular Issues":

Article V, Sections 3 and 4 of the Certificate describe the voting procedures and the number of votes required for adoption and approval for particular issues with respect to NAESB.

Article 10 - "Executive Committee," Section 10.4 "Meetings," (f):

Article V, Section 4 of the Certificate describes the EC voting procedures and number of votes required for adoption or approval for particular issues with respect to NAESB.

Article 10 - "Executive Committee," Section 10.5 "EC Subcommittees" (a):

The EC may establish subcommittees to be comprised of Members and other interested parties who have the opportunity to participate. Each EC Subcommittee shall employ Balanced Voting. Each EC Subcommittee shall report to, and serve at the pleasure of, the EC.]"

3. Discussion of Motion 2 and vote

Mr. Sappenfield offered to modify the second motion, removing the language "before item II G." and adding the language "priority to be determined by the BPS." Mr. Sappenfield moved, seconded by Ms. Heslington to: "Modify the NAESB WGQ BPS Creditworthiness Work Plan to include discussion on possible standards that would implement FERC creditworthiness policies established under recent FERC Orders under a Work Plan topic entitled: "TSP's criteria for evaluation of SR's creditworthiness;" priority to be determined by the BPS.



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Mr. Young stated he does not think this item should be discussed because it is only an isolated case in one of the FERC Orders. Ms. Van Pelt concurred with Mr. Young. Mr. Sappenfield noted it is important to discuss this item, but not necessarily offer any proposed standards or criteria. Ms. Daly stated the Commission would recognize that, as an industry, this group has discussed these issues and in recording the discussion has provided a valuable service to the industry. Mr. Novak voiced concerns that discussing this topic might still lead to attempts at standardizing criteria to apply to all TSPs. Ms. Van Pelt voiced concerns about using NAESB as a generic proceeding to discuss every aspect of Creditworthiness.

In response to Mr. Novak's concerns about attempts to standardize in this area, modifications were made to the motion, which read as follows: "Modify the NAESB WGQ BPS Creditworthiness Work Plan to include discussion on possible standards that would implement FERC creditworthiness policies established under recent FERC Orders under a Work Plan topic entitled: "whether TSP criteria for evaluation of SR's creditworthiness should be standardized."

Mr. Love stated concerns about dealing with this issue when the Commission has not given any specific direction as far as standards in this area are concerned, and there is ample opportunity in other ways for parties to address these issues through normal FERC avenues.

Mr. Buccigross asked, pending clarification from Mr. Costan, would Mr. Sappenfield like a balanced vote? Mr. Sappenfield confirmed that he would like the vote recorded as balanced.

A roll-call vote was taken and the raw results were as follows: 9 in favor and 9 opposed. Balanced voting results were as follows: 6 in favor and 4 opposed.

[Subsequent to the meeting, a decision on the proper voting procedure was determined. For a record of the announcement sent out regarding this decision, please see the discussion in item 2 of the minutes.]

4. Other Business

Ms. Van Pelt requested future out of cycle EC meetings be announced prior to posting to give all EC members the opportunity to support holding such meetings.

5. Adjourn

Ms. Chezar moved, seconded by Ms. McVicker, to adjourn the meeting on March 11, 2003 at 11:41 a.m. CDT.



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6. Executive Committee Attendees

	Title, Organization	Vote 1	Vote 2	Present
End User Segment				
Diane McVicker	Sr. Principal Fuel Supply Analyst, Salt River Project	yes	yes	yes
Gary Hinners	Director of Natural Gas Regulatory Issues, Reliant Energy Services, Inc.	yes	yes	yes
Kelly Daly	Partner, Morrison & Hecker, rep. Arizona Public Service Co.	yes	yes	yes
Dona Gussow	Contracts Coordinator, Florida Power and Light	yes	yes	yes
Tina Burnett	Natural Gas Resources Utility Management, Boeing	yes	yes	yes
LDC Segment				
Rodger Schwecke	Pipeline Products Projects Manager, Southern California Gas	no		yes
Rick Ishikawa, alt. for Rodger Schwecke	Transportation Contract Administrator, Southern California Gas Company		no	yes
Dolores Chezar	Director, Regulatory Policy, KeySpan Energy	no	no	yes
Chris Maturo	Director, Operations Integration, NiSource	no	no	yes
Mike Novak	Assistant General Manager, National Fuel Gas Distribution	no	no	yes
Steve Sullivan	Regulatory Manager of Gas Supply, Consolidated Edison of NY	no	no	yes
Pipeline Segment				
Mark Gracey	Consultant - Business Processes, Tennessee Gas Pipeline Co.			no
Iris King, alt. for Bill Griffith	Director, Technical and Marketing Support, Dominion Transmission, Inc.	no	no	yes
Paul Love, alt. for Dale Davis	Director Electronic Customer Services, Natural Gas Pipe Line Co. of America	no	no	yes
Randy Young	Director, Regulatory Compliance, Gulf South Pipeline Co., LP	no	no	yes
Kim Van Pelt	GISB Coordinator, CMS Panhandle Eastern Pipe Line	no	no	yes
Producer Segment				
Jim Busch	Director of Energy Policy and Regulation, BP Energy Company	yes	yes	yes
Paul Keeler	Managing Attorney, Marketing, Burlington Resources			no
Sheri Heslington	Dominion Exploration	yes	yes	yes
Richard Smith	Director, Regulatory Affairs, ExxonMobil	no		yes
V A C A N C Y				
Services Segment				
Suzanne Calcagno	Associate Director - Regulatory Compliance, UBS Warburg Energy			no



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V A C A N C Y	V A C A N C Y			
Leigh Spangler	CEO, Latitude Technologies			no
Jim Buccigross	Vice President, 8760 Inc.	yes	yes	yes
Keith Sappenfield	Director, EnCana Energy Services	yes	yes	yes

Other Participants

Name	Company
Arnaout, Mariam	American Gas Association
Burch, Kathryn	Duke Energy gas Transmission
Colombo, Craig	Dominion Resources
Dotterweich, Andrew	Consumers Energy
Lennon, Rose	Washington Gas
McMillan, Meghan	NAESB
McQuade, Rae	NAESB
Nelson, Howard	El Paso
Reitz, David	National Fuel Gas Supply
Wilmoth, Brian	Northern Natural Gas
Zavodnick, Steve	Baltimore Gas & Electric