



## 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 Executive Committee, Posting for Interested Industry Participants  
**FROM:** Todd Oncken, NAESB Staff  
**RE:** NAESB Wholesale Gas Quadrant Executive Committee Meeting Final Minutes – May 20, 2003  
**DATE:** May 22, 2003

---

**Wholesale Gas Quadrant Executive Committee Meeting  
May 20, 2003, 9:00 a.m. – 4:00 p.m. Central  
Final Minutes**

### 1. Welcome

Mr. Buccigross called the meeting to order and thanked NAESB for hosting the meeting. Mr. Oncken gave the antitrust advice. Ms. McQuade called the roll of Executive Committee members.

Ms. Van Pelt moved, seconded by Mr. Young, to adopt the agenda as drafted. The motion passed unanimously.

### 2. Proposed Creditworthiness Standards

Mr. Novak moved, seconded by Ms. Gussow, to adopt the package of standards on creditworthiness reported by the Business Practices Subcommittee (BPS) to the Executive Committee (EC). There was no discussion on the motion. The motion failed with 10 votes in favor, 11 opposed. [vote1]

Ms. Van Pelt moved, seconded by Mr. Young, to adopt the package of standards on creditworthiness reported by the BPS to the EC excluding 5.3.zE, 0.3.zN, and 0.3.zP. It was noted these proposed standards were excluded from the package for reasons reflected in the comments filed by the pipeline group.

Participants discussed the proposed standards excluded. Discussion revealed a general disagreement between segments regarding proposed standard 5.3.zE. Mr. Novak stated proposed standard 5.3.zE works toward the goal of a valid, workable permanent release option. Mr. Novak urged the pipeline should be indifferent if the shipper can provide a creditworthy replacement shipper. In contrast, Mr. Griffith stated the proposed standard encroaches on the capacity release process and is out of place in the creditworthiness environment.

Ms. Chezar stated voting out the package excluding particular proposed standards is not appropriate. Further, she said it was inappropriate for the EC to vote on the package given the number of comments received. She stated that the number of comments submitted is evidence of lack of industry consensus. Mr. Sappenfield, Mr. Maturo and Mr. Hinnners agreed with Ms. Chezar's position. Additionally, Ms. Chezar stated the large number of comments reflected the fact that credit and risk allocation have very serious business implications.

Mr. Sappenfield and Mr. Hinnners expressed concern about the apparent lack of clear FERC policy regarding creditworthiness. Mr. Sappenfield noted much time was spent during the BPS meetings trying to determine the FERC's policy on creditworthiness. Ms. Van Pelt expressed concern that Mr. Sappenfield and Mr. Hinnners would raise policy concerns at this stage in the process. She stated the pipeline segment raised those same concerns early in the process, but work was done in the BPS according to the work plan. She noted the BPS expended a lot of resources in pursuit of the creditworthiness work product. In response, Mr. Sappenfield noted his statement on policy did not reflect his view, but rather the consensus view stated by others during the process.



## 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

Mr. Young noted the first proposed standard, proposed standard 0.3.zA, was passed by the BPS outside of the strawman but was later incorporated into the strawman. He said the FERC specifically requested standards on communications, but the work of the BPS went far beyond that request. He asserted the additional work done by the BPS in areas where the policy was not clearly defined was problematic. However, he encouraged the EC not to disregard all of the BPS work on creditworthiness because some proposed standards are premature.

Mr. Maturo stated the FERC request was to initiate a process to see if there was a consensus view on creditworthiness standards. He said the comments submitted make it clear that a consensus has not been reached. He proposed the EC submit the work of the BPS to the FERC as the required report, noting that substantial work was undertaken but no consensus was reached. Mr. Hinners concurred and noted one value of the BPS work was that it provided a record of the debate. He noted the comments filed illustrate the essence of the division between the market segments. Mr. Novak asserted if the EC was just sending a record to the FERC, it should contain the entire package of proposed standards. Ms. Chezar suggested taking that approach could lead to a generic rulemaking.

On Mr. Keeler's suggestion, Ms. Van Pelt amended her motion to remove the exclusion for 0.3.zN. The motion now reads, "to adopt the package of standards on creditworthiness reported by the BPS to the EC excluding 5.3.zE and 0.3.zP." Mr. Young, seconder, accepted the amendment. Participants voted on Ms. Van Pelt's amended motion. The motion failed with 10 votes in favor, 12 opposed. [vote 2]

Ms. Van Pelt moved, seconded by Mr. Young, to adopt as a package proposed standards 0.3.zA through 0.3.zJ. She noted these standards specifically relate to the FERC's request for communications standards.

Participants discussed proposed standard 0.3.zJ. Ms. Gibbs reiterated the comments filed by the Process Gas Consumers Group. Ms. Van Pelt noted the proposed standard was widely supported in the BPS meetings, so she stated confusion on why the wording of the standard has become an issue. Ms. Gibbs responded issues have arisen with the potential application of the standard as worded. She stated the standard was supported because it was viewed as an additional tool for shippers to establish creditworthiness, but the practical implications of the proposed standard take away flexibility, instead of providing it. Ms. Chezar stated the fact that there is confusion on the meaning and implications of the proposed standard demonstrate the EC should not vote on the package. Mr. Downs stated the change in position and recognition of potential application difficulties reflects the real value of the industry comment period.

Mr. Nelson provided a perspective on proposed standard 0.3.zJ. He stated the proposed standard was developed to provide a means for shippers to provide the information requested under proposed standard 0.3.zA through publicly available documents. Mr. Griffith stated he viewed proposed standard 0.3.zJ as explaining some options and providing clarity to the information requested under other proposed standards. Mr. Sappenfield noted Business Day should be capitalized in proposed standard 0.3.zI. Ms. Chezar commented that she originally proposed standard 0.3.zJ at the BPS and that it was not her intent that this would require a parental guarantee. Mr. Novak suggested that if it would help we could add an explicit statement to the end of proposed standard 0.3.zJ that said something to the effect that this standard in no way requires a parental guarantee. Mr. Gwilliam stated that Iroquois was opposed to standard 0.3.zJ because it forces a pipeline to accept the parent company's financials in place of a subsidiaries financials even if the subsidiary has no parental guarantee in place.



## 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

Ms. Van Pelt amended her motion to reflect the discussion. The motion now reads, "to adopt as a package proposed standards 0.3.zA through 0.3.zI, capitalizing 'Business Day' in proposed standard 0.3.zI. Mr. Young, seconder, accepted the amendment. Participants voted on Ms. Van Pelt's amended motion. The motion failed with 9 votes in favor, 12 opposed, and 1 abstention. [vote 3]

Mr. Maturo stated there is not a consensus on the proposed standards. However, he said the BPS did work hard to fulfill its duties and develop a package of proposed standards that represented a compromise between all segments. As such, Mr. Maturo moved, seconded by Ms. Chezar, that the Executive Committee take no further votes on the package of proposed creditworthiness standards, but instead report the proposed standards to FERC, with comments and meeting minutes included.

Participants discussed the nature of the package of standards. Mr. Nelson stated the creditworthiness strawman was not a compromise in the traditional sense, like a rate case settlement. Rather, he said it was just the approach the BPS used to develop the proposed standards. He noted each standard was proposed and voted on individually. Mr. Gwilliam agreed with Mr. Nelson and noted that a true compromise package would have passed the BPS by support from all segments. Mr. Novak disagreed. He stated the strawman was a compromise and the underlying assumption of the strawman process was that while an individual standard might be objectionable, those objections might be addressed by a subsequent standard.

Ms. Van Pelt opposed the motion. She stated it is unacceptable that there is not a small block of standards that can be passed on to the FERC. She noted each of the standards was voted on individually at the BPS and consensus was reached during the subcommittee meetings. Mr. Hinners noted his understanding during the BPS meetings was that while the proposed standards were being voted on individually, they were all part of one strawman. Ms. Chezar stated the EC is an independent body that does not automatically accept the work of its subcommittees. Accordingly, she stated that lack of objection during the BPS meetings was not determinative of EC action on the proposed standards. Ms. Van Pelt stated she did not intend to imply the EC was not an independent body.

Participants voted on Mr. Maturo's motion. The motion passed, as a procedural motion, with 16 votes in favor and 5 opposed. [vote 4]

Mr. Buccigross stated that since no standards were passed, discussion of numbering and categorization of standards, as well as the ratification and publication schedule, was moot.

### **3. Other Business**

No other business was discussed.

### **4. Adjourn**

Mr. Novak moved, seconded by Mr. Keeler to adjourn. Ms. Van Pelt objected to the motion. The motion passed the room with 11 votes in favor, 3 opposed, and no objection on the phone. The meeting ended at 11:45 a.m.



## 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

### 5. Executive Committee Attendees

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

### Other Participants

Name	Company	Comments
Forrest Alexander	Sequent Energy	In Person
Mike Bray	Shell Gas Transmission	In Person
Kathryn Burch	Duke Energy Gas Transmission	In Person
Christopher Burden	Williams Gas Pipeline	In Person
Jim Busch	BP	In Person
Paul Cherry	Florida Gas Transmission	In Person
Harry Collins	Sequent Energy	In Person
Craig Colombo	Dominion Resources	In Person
Andrew Dotterweich	Consumers Energy	Phone
Jim Downs	Calpine Corporation	In Person
Kirsten Gibbs	Process Gas Consumers Group/American Forest & Paper Association	In Person
Bill Grygar	Panhandle Eastern Pipe Line Co.	In Person
Tom Gwilliam	Iroquois Gas Transmission System, L.P.	Phone
Theresa Hess	Reliant Energy Retail Services	In Person
Richard Ishikawa	SoCalGas	In Person



## 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

Name	Company	Comments
Joe Kardas	National Fuel Gas Supply Corporation	In Person
Alan Johnson	Mirant	Phone
Frazier King	ETS Pipelines	In Person
Iris King	Dominion Transmission	Phone
Jane Lewis	American Gas Association	In Person
Paul Love	NGPL	In Person
Pat Metteur	Sequent Energy	In Person
Howard Nelson	El Paso Corp.	In Person
Ken Nichols	PG&E Gas Transmission	In Person
Marjorie Perlman	Energy East Management Corp.	In Person
David Reitz	National Fuel Gas Supply Corporation	In Person
Debbie Schneider	Sempra Energy	Phone
George Strong	not provided	Phone
Clark Worthley	Arizona Public Service	Phone
Steve Zavodnick	Baltimore Gas & Electric Co.	Phone

### 6. Voting Record

	Vote 1	Vote 2	Vote 3	Vote 4
<b>End User Segment</b>				
Diane McVicker				
Gary Hanners	no	no	no	yes
Kelly Daly	yes	no	no	yes
Dona Gussow	yes	no	no	yes
Tina Burnett	yes	no	no	yes
<b>LDC Segment</b>				
Rodger Schwecke	no	no	abstain	yes
Dolores Chezar	no	no	no	yes
Chris Maturo	no	no	no	yes
Mike Novak	yes	no	no	yes
Steve Sullivan	yes	no	no	yes
<b>Pipeline Segment</b>				
Mark Gracey	no	yes	yes	no
Bill Griffith	no	yes	yes	no
Dale Davis	no	yes	yes	no
Randy Young	no	yes	yes	no
Kim Van Pelt	no	yes	yes	no
<b>Producer Segment</b>				
Jim Busch	yes	yes	no	yes
Paul Keeler	yes	yes	yes	yes
Sheri Heslington	yes	yes	no	yes
Richard Smith		yes	no	yes
Mike Shepard	no	no	no	yes
<b>Services Segment</b>				
Suzanne Calcagno				
V A C A N C Y				
Leigh Spangler	yes	no	yes	yes
Jim Buccigross	yes	yes	yes	abstain
Keith Sappenfield	no	no	yes	yes
<b>Results:</b>	Failed	Failed	Failed	Passed
	10 yes/11 no	10 yes/12 no	9 yes/12 no	16 yes/5 no