Washington Gas

6801 Industrial Road
Springfield, Virginia 22151

May 16, 2003

VIA FACSIMILE AND ELECTRONIC MAIL

Ms. Rae McQuade, Executive Director
North American Energy Standards Board
1301 Fannin, Suite 2350
Houston, TX 77002

Re: Comments of Washington Gas Light Company Regarding Business Practices Subcommittee Proposed Creditworthiness Standards

Dear Ms. McQuade:

Pursuant to the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ) request for comments regarding the proposed creditworthiness standards, Washington Gas Light Company (Washington Gas) submits the following comments for consideration by the Executive Committee (EC) prior to the vote scheduled for May 20, 2003.

Washington Gas cautiously supports the proposed creditworthiness standards under consideration by the EC. However, Washington Gas remains committed to the position that creditworthiness issues should, for the most part, be addressed on a case-by-case basis in the regulatory arena. Evidenced by the contentious discussions in the Business Practices Subcommittee, creditworthiness does not easily lend itself to standardization. Attempting to develop a "one size fits all" credit standard will eliminate flexibility and force a standard risk tolerance on the entire pipeline segment. Thus, it is Washington Gas's view that the proposed creditworthiness standards represent the practical limit and possibly the extent it is appropriate to establish standards regarding creditworthiness.

Credit policies impact the risk profile of a company and must be based on the business environment, the company's risk tolerance and business plan, and the varying levels of risk inherent in unique sets of services. Washington Gas is concerned that over-standardization could stifle the creation of new services if the standards are viewed as inadequate relative to the risk protections needed to underpin a contemplated service. Additionally, as a firm interstate pipeline customer and a supplier of last resort to more than 900,000 end-use natural gas consumers, Washington Gas is concerned that if credit standards/policies do not provide adequate protection to the pipeline segment, Washington Gas and its customers (as well as many other local distribution companies and their customers) may ultimately be the pipelines' safety net in the event of a shipper default.

As part of its deliberations on May 20, Washington Gas would like the EC to consider amending the capacity release Proposed Standard 5.3zC to clarify that in situations where collateral would be required for a Service Requester (SR) to be eligible to hold released capacity, the collateral is due at the time of the capacity award, not in advance of bidding. In addition, Washington Gas would like the EC to consider eliminating Proposed Standard 0.3zP, which pertains to the TSP's payment of interest on cash credit alternatives. While Washington Gas does not dispute the Federal Energy Regulatory Commission (FERC) decisions to date that a shipper should have the opportunity to earn interest on cash credit alternatives, Washington Gas is concerned that the policy may have been determined prior to the FERC having the opportunity to fully consider the implications of the interest requirement in the bankruptcy court.

In conclusion, Washington Gas supports the proposed standards recognizing that the package was an arduous compromise among the participants in the Business Practices Subcommittee.

Sincerely,

Jennifer B. Deegan

Jennifer B. Deegan
Manager, Federal Regulatory Affairs