

October 2, 2003

**VIA E-MAIL**

Ms. Rae McQuade  
Executive Director  
North American Energy Standards Board  
Attn: WGQ Executive Committee

Re: Comments of NiSource's Distribution Companies Regarding Proposed Credit Support Addendum and Users' Guide

The NiSource Distribution Companies, comprised of Bay State Gas Company, Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., Columbia Gas of Virginia, Inc., Kokomo Gas & Fuel Company, Northern Indiana Fuel & Light Company, Northern Indiana Public Service Company and Northern Utilities, Inc., appreciate the opportunity to comment regarding the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ) proposed Credit Support Addendum (CSA) and associated Users' Guide that will be considered by the WGQ Executive Committee (EC) on or about October 8, 2003.

The NiSource Distribution Companies urge the EC *not* to adopt the proposed CSA as an addendum to the existing standard Base Contract for Gas Sales, but approve the document, if at all, as a Model Agreement. The CSA is not appropriate for many transactions that occur routinely pursuant to the Base Contract and it should not be accorded the status of an approved NAESB standard when it was developed and supported by a very small group of participants who are not representative of the whole industry.

**The CSA Was Not Developed With Sufficient Broad Industry Participation**

The NiSource Distribution Companies participated in the Contracts Subcommittee that developed the proposed CSA because they have a significant interest in NAESB's involvement in issues related to amending or expanding the Base Contract. The NiSource LDCs purchase vast volumes of gas pursuant to the Base Contract in order to serve more than 3 million consumers across the Northeast and Midwest. Despite the broad use of the Base Contract by many participants throughout the industry, however, the development of the proposed CSA drew surprisingly few participants – barely a dozen consistent participants -- with three of the five segments usually represented by at most one representative. In the two critical votes taken by the subcommittee, one to determine whether the CSA should be a Model or Standard Agreement, and the second to forward the proposal to the EC, only 10 and 11 participants voted respectively. On July 23, 2003, the LDC segment participants voted unanimously to pursue a Model rather than a standard agreement, but the LDC segment was overruled in the balanced vote involving three segments with only one participant to recommend a standard.

In short, the CSA was not developed with sufficient participation or support from a representative cross-section of the industry to be adopted as a legitimate standard. The CSA would be a legally binding contract that addresses very significant credit, risk management and financial process issues between participants in gas purchase and sale transactions. It is not a benign document, but rather it would amend the widely accepted Base Contract in significant ways that have not been reviewed widely. If the relatively few strong proponents of the CSA desire a form agreement for them to propose to counterparties as credit-related Special

Provisions to the Base Contract, then a model agreement would serve their purposes. The proposed standard CSA is not supported by LDCs, which should have the opportunity as counterparties to negotiate the appropriate credit processes for their circumstances and business models when they purchase gas from marketers and producers.

### **The CSA Should Be Adopted, If At All, As a Model Agreement**

The NiSource companies were among the Interested LDCs who commented on May 16, 2003 to the subcommittee strongly urging that any credit addendum document it developed be either an Optional or a Model Agreement. In response to the LDCs' concerns, the Users' Guide was developed to explain how the CSA's provisions are intended to apply to transactions. While it is true that the text of the lengthy proposed Users' Guide states that use of the CSA is optional, that statement would have little effect if the CSA were adopted as a "standard" addendum to the existing NAESB Base Contract.

Thus, the NiSource Distribution Companies believe it is important for the EC to recognize that there is no groundswell of need or support for a standard CSA, but in fact the proponents of the CSA represent a relatively narrow segment of the industry. The NiSource LDCs believe that a credit support agreement is not the type of document that NAESB should standardize, but they also specifically oppose standardizing the particular terms of the proposed CSA. Therefore, the NiSource Distribution Companies urge the EC not to adopt the proposed CSA as a standard.

Inquiries regarding these comments may be addressed to Mark Maassel (219/647-6400), Peter Connor (614/460-5974) or me. Thank you for your consideration.

Respectfully submitted,

/s/

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