

### **Proposed WGQ Standard 5.3.x2**

For indexed-based capacity release transactions, the releasing shipper should specify whether bids upon the index-based formula detailed in the capacity release offer should be:

- a percentage of the formula,
- a percentage of a formula component and which component,
- a dollars and cents differential from the formula, or
- in terms of a minimum revenue commitment.

#### 1) Floor Prices

A floor price is the minimum rate a releasing shipper wishes to attain. The standardization question is whether the capacity release facilitator, as a part of the standards implementation, should explicitly provide for a floor price capability.

Example based upon ElPaso Example 1 presented to BPS August 30-31, 2007

$((\text{NGIBW (CA Southern Border, Socal)} - \text{IFBW (NWP Rocky Mts)}) - ((\text{TSP Fuel Percent} * \text{IFBW (NWP Rocky Mts)})) + \text{TSP commodity charge} + \text{TSP commodity surcharge})) * 100\%$

Suppose a shipper wishes a \$0.05 floor rate. One way to accomplish that would be to modify the formula to include the floor rate as a constant as follows:

$((\text{NGIBW (CA Southern Border, Socal)} - \text{IFBW (NWP Rocky Mts)}) - ((\text{TSP Fuel Percent} * \text{IFBW (NWP Rocky Mts)})) + \text{TSP commodity charge} + \text{TSP commodity surcharge})) * 100\% + \$0.05$

By specifying (as currently provided for in proposed 5.3.x2) that bids should be a percentage of the non-constant portion of the formula (everything but the \$0.05) it would appear as if this the floor rate would be attained, however, if the formula portion result is negative once the values for the published points are inserted, the net result could be a rate below the floor price. The only way to ensure a floor price is to establish an explicit non-biddable floor price (it would be optional, i.e. it would default at \$0.00) to be specified by the releasing shipper. Because population of the floor price is optional, the releasing shipper could still put a constant into the formula but the constant, for percentage based bidding, be subject to modification by whatever percent the award was based upon.

### **Proposed WGQ Standard 5.3.x2a**

For indexed-based capacity release transactions, the capacity release facilitator should support a non-biddable rate floor to be specified by the releasing shipper in the capacity release offer. The rate floor would apply when the result of the index-based formula detailed in the capacity release offer was less than the rate floor.

As a result, proposed 5.3.x2 could be modified as follows:

**Revised Proposed WGQ Standard 5.3.x2**

For indexed-based capacity release transactions, the releasing shipper should specify whether bids upon the index-based formula detailed in the capacity release offer should be:

- a percentage of the formula,  
~~□ a percentage of a formula component and which component,~~
- a dollars and cents differential from the formula, or
- in terms of a minimum revenue commitment.

2) Proposed 5.3.x3 and 5.3.x4 need to be made symmetrical to accommodate minimum rates.

**Revised Proposed WGQ Standard 5.3.x3**

For monthly reservation index-based capacity release transactions where the formula detailed in the capacity release offer requires calculations on a daily basis, while the daily results of such calculations may exceed the applicable daily maximum rate or be less than the applicable minimum rate as calculated pursuant to NAESB WGQ Standard No. 5.3.22, any resulting monthly reservation rate may not exceed the applicable maximum monthly reservation rate or be less than the applicable minimum monthly reservation rate.

**Revised Proposed WGQ Standard 5.3.x4**

For volumetric index-based capacity release transactions where the result of the formula detailed in the capacity release offer exceeds the applicable daily maximum rate or is less than the applicable minimum rate as calculated pursuant to NAESB WGQ Standard No. 5.3.22, the capacity release credit calculated for that day may not exceed that which would be calculated using the applicable maximum daily reservation rate or be less than that calculated using the applicable minimum daily reservation rate, respectively.

3) Proposed language re: TSP support of index references. "Multiple" means at least two.

**Proposed WGQ Standard 5.3.x6**

A Transportation Service Provider (TSP) should support multiple index references for indexed-based capacity release transactions, posting the identity of such references on its informational postings website. In consultation with releasing shippers, such references should be reviewed annually by the TSP and updated (index references added or removed), if necessary.

Releasing shippers wishing to use index rates not supported by the TSP will be responsible for providing the TSP with a subscription(s) to the non-supported index reference such that the TSP is adequately licensed to fulfill its business responsibilities associated with the index-based capacity release transaction. Such non-supported index will become available to all shippers for the duration of the subscription and will be considered for ongoing TSP support in the next annual review.