



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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Home Page: www.naesb.org

TO: NAESB Board Members
FROM: Rae McQuade, NAESB Executive Director
RE: **Notational Ballot for Board Votes on Managing Committee Decision on Scope for Request R03035 from Florida Power and Light regarding Gas Quality**
DATE: February 11, 2004

Dear Board Members:

Yesterday afternoon the Managing Committee held a conference call to consider the disposition of request R03035. The Managing Committee members present¹ found the request within scope for each of the parts identified below. The Managing Committee is asking you to vote notationally your position on whether request R03035 is within the scope of NAESB. The request itself, the minutes of the Triage Subcommittee, the Executive Committee, and yesterday's meetings are available for your review as you determine your position. These minutes include comments provided by participants both in favor of and opposed to finding the request within scope. Please respond to the NAESB office with your vote by end of business **Tuesday, February 17**. Should you have any questions, please feel free to call the Managing Committee or our general counsel Bill Boswell.

Request:

Florida Power and Light prepared a request for standards development regarding gas quality. It was described in three parts:

- A. Establish web-based reports for tracking all physical and chemical properties of natural gas defined in pipeline tariffs, including timelines for reporting.
- B. Develop a uniform process, including the underlying assumptions and methodologies, for determining gas quality specifications from measured data.
- C. Examine the need to establish gas quality specification standards taking into consideration, (i) the specification needs of end users and providers of service to end users, and (ii) sources of supply (e.g. land-based, the Gulf, LNG). Draft such standards as appropriate.

Background:

The Triage Committee met on Jan. 9, 2004, and addressed a portion of request R03035 and forwarded its recommendations to the Executive Committee (EC). It found two of the three parts of the request within scope with assignments to the Wholesale Gas Quadrant. The third part was referred to the EC for consideration without a scope recommendation. At its Feb. 5, 2004, conference call, the EC recommended that the entire request was outside NAESB's scope. While not all quadrant votes are in yet, the wholesale gas quadrant has met quorum requirements and voted it out of scope. A request is found within scope only if each quadrant EC through a simple majority vote determines that the request is within scope. Should the EC recommend that a request is out of scope, it is remanded to the Board and Managing

¹ Managing Committee Members present were Leonard Haynes, Michael Desselle, Joe Stepenovitch, Jim Templeton and Rae McQuade (non-voting member). Mark Maassel was unavailable for the meeting. Bill Boswell as General Counsel was present.



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Committee for final determination. As such, the EC decision on the question of scope for request R03035 was remanded to the Managing Committee for a determination. The Managing Committee members present voted unanimously to find the request within scope.

It should be noted that in March 1996, GISB, the precursor of NAESB, filed with the FERC a set of business practice standards, and in that filing so noted with regard to gas quality that:

- (page 24 of Volume 1) “Work will commence after January 1, 1997 on the following issues: 2.37 – Gas Quality Reporting, 3.35 – GRI – Customer Education, 4.24 – Work space for batch work in progress, 5.46 – Include 100% load factor tariff provision, 5.50 – contingent bids, 5.52 – Title to Gas in Released Storage, 5.53 – disclosure of minimum conditions associated with a release.
- (page 38 of Volume 1) “Upon review of these proposals, the Executive Committee has adopted the principles and standards (collectively, the “standards”) set forth in sections B and C below. The Executive Committee has also identified several issues requiring further examination: standard resolution of imbalances, penalties and cashout; reallocation; difference between transporter to shipper allocations and scheduled quantities; multi-tiered allocations and title transfer; and gas quality reporting.”

In addition, on November 10, Chairman Wood sent a letter to the organization and in that letter, noted: “In addition, I find it quite important to resolve LNG gas quality standards, as LNG is an important element of our natural gas supply and, in some areas like Maryland, feeds directly into the market area with little opportunity for commingling.”

Also, you should be aware that several trade associations are working on related issues regarding gas quality, including an industry collaborative effort outgrowth from the Natural Gas Council. In addition, the FERC is holding a technical conference on a related topic – gas interchangeability on February 18, and NAESB will make a presentation at that meeting regarding the process used by NAESB to develop standards.

The scope of NAESB as described in our certificate in Article 2, Section 1 is as follows:

“The objects and purposes of NAESB are to propose and adopt voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric service, as such standards apply to electronic data interchange (“EDI”) record formats and communications protocols and related business practices that streamline the transactional processes of the natural gas and electric industries.”

and the question you are asked to answer is: Is request R03035 within NAESB’s scope? Please feel free to respond by email to rmcquade@naesb.org, call in to the office (713-356-0060), or fax your response (713-356-0067).

Best Regards,

Rae



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NORTH AMERICAN ENERGY STANDARDS BOARD

Board of Directors Ballot Notational Vote Regarding the Scope Question for Request R03035 February 11, 2004

Agreement? (Yes/No/Abstain)	Statement
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I vote in support of the Managing Committee decision to find R03035 for each of the parts listed below as within NAESB's scope as identified in the NAESB Certificate of Incorporation:

Part A : Establish web-based reports for tracking all physical and chemical properties of natural gas defined in pipeline tariffs, including timelines for reporting.

Part B: Develop a uniform process, including the underlying assumptions and methodologies, for determining gas quality specifications from measured data.

Part C: Examine the need to establish gas quality specification standards taking into consideration, (i) the specification needs of end users and providers of service to end users, and (ii) sources of supply (e.g. land-based, the Gulf, LNG). Draft such standards as appropriate.

Name:	_____
Signature:	_____
Company:	_____
Date:	_____

**Please return to the NAESB Office by February 17, 2004
Fax: 713-356-0067**