



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@naesb.org

Home Page: www.naesb.org

TO: NAESB Managing Committee, Posting for Interested Industry Participants
FROM: Rae McQuade, NAESB Executive Director
RE: **Draft Notes from Managing Committee Conference Call on Request R03035**
DATE: February 11, 2004

Yesterday afternoon the Managing Committee held a conference call to consider the disposition of request R03035. The Managing Committee members present found the request within scope. Below are the notes from the meeting.

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. The ballot closed Feb. 12, 2004. 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 Committee for final determination.

Welcome and Quorum:

Mr. Leonard Haynes, Chair of the NAESB Managing Committee, opened the meeting by welcoming everyone and determining quorum. Present from the Managing Committee were: Mr. James Templeton, Mr. Joe Stepenovitch, Mr. Michael Desselle, Mr. Haynes and Ms. Rae McQuade. Quorum was established. Also present were Ms. Marilyn Specht Adusei-Poku, taking notes for Mr. Mark Maassel who could not attend, and Mr. Bill Boswell, NAESB General Counsel. There are no substitutes or alternates for Managing Committee members. The meeting was open and the full roster of attendees is attached.

Management Committee Discussion:

Mr. Haynes reviewed the subject matter of R03035 from Florida Power & Light (FPL) and the procedural background which appears above. He agreed with the Triage Committee's recommendation to divide the request into three separate requests as follows:

- 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; and
- 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).

The Managing Committee noted in discussion that:

- Gas quality is an issue that GISB took up in the past, and that FERC Chair Pat Wood III specifically mentioned LNG interchangeability as an issue that he would like to see NAESB take up in his letter dated Nov. 14, 2003, to Ms. McQuade.



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- While the record is full of reasons why individuals do not want to address this issue, it is not the same as declaring the request out of NAESB's scope.
- A member company has submitted this request, and that a government agency has expressed an interest in NAESB taking the issue up. In his letter, Chair Wood anticipated a final product from NAESB by summer 2004.
- Ms. McQuade is speaking at the FERC gas interchangeability conference on February 18 to address the NAESB process that is followed to develop standards. The Managing Committee and Board will guide her in direction for that conference.
- The NAESB Board is the final arbiter of scope questions. In the past, the Board has made determinations that determine the scope question either as within scope or out of scope depending on the request.
- In March 1996, NAESB's predecessor, the Gas Industry Standards Board, made a filing with FERC stating that the organization would be addressing gas quality reporting standards. This work was never undertaken due to other projects competing for limited resources. Mr. Templeton:
- In 1994, FERC Chair Moler said that if industry cannot get together then FERC would develop a solution for them. Today, we may be in the same position with Chair Wood.
- The FERC's gas interchangeability conference will provide important information on the gas quality issues, but will not address NAESB's decision on whether it is within NAESB's scope.
- Any standards that may be adopted as a result of this request could impact existing tariffs if the FERC then adopts the standards within a FERC order.
- If NAESB considers this request, it does not assume that consensus can be achieved to develop standards, but as a result of the consideration, a record of the deliberations will be available.
- The NAESB voting process protects each segment such that no standard can be adopted unless at least 40% of each segment supports the standard. In this manner, the broadest base of support for standards is achieved.
- It is recognized that standards that may be developed as a result of this request could have financial implications as with all standards that NAESB may develop.
- The necessary expertise will come from participants' companies, as in the past.
- Mr. Stepenovitch's company (FPL) authored the request, and he concurs with the Triage Committee's recommendation to break the request into three separate parts.

Open Discussion:

Ms. Specht Adusei-Poku in representing Mr. Maassel noted that they have concerns that the request is outside of NAESB's scope, or at least not being addressed at a good time, specifically as the request addresses part b and c. They would prefer that all three parts be found out of scope since the nuances of the request actually change the nature of the commodity. There are cost implications, cost allocation implications, and policy implications that are not areas that NAESB should address. Moreover, there are other industry groups working with Chair Wood and FERC on this issue. Having NAESB enter the fray would only add confusion. She



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interprets Chair Wood's letter NAESB addressing standards only as they apply to LNG interchangeability.

Ms. Jennifer Deegan of Washington Gas noted that they have in the past 2 years addressed gas interchangeability issues for its Cove Point, Maryland facility, and added that she believes the request is outside on NAESB's scope since it could create a new regulatory mandate.

Mr. Mike Novak of National Fuel Distribution noted that on part A, he supported this item as being within scope although he can foresee the frequency of reporting impacting the type of equipment necessary for compliance. In addition, on part B, he supported this in the Triage Committee, but changed his vote at the EC because different equations in tariffs all work. NAESB is not in a position to determine which of the working equations is the best one. Further, on part C, he opposed this since a NAESB standard with regional differences in this case will result in such a diverse standard that it will be meaningless. FERC just started a new proceeding and NAESB should await the results. In summary, he noted that there is a resource allocation issue for NAESB with so many other activities happening.

Mr. Richard Kruse, a Board member representing Duke Energy added that he considered part A in scope, and parts B and C outside of NAESB's scope. He supported having the issue deferred until after FERC's conference next week. He is concerned that NAESB not embark on an effort which might repeat the results of the creditworthiness effort, where some considered that there were significant outstanding policy questions, the topic was very controversial, and there were real economic impacts on participants. Until clear policy guidance is given, it is unlikely that NAESB can develop standards because of the financial impacts of the decisions.

Ms. Delores Chezar of KeySpan Energy also agreed that part A is in scope, but added that NAESB does not have the technical expertise to address part B. Similarly, she noted that part C is outside of NAESB's scope. There are many other groups working on the background info necessary to develop a standard. NAESB should wait until the background materials are developed before proceeding.

Mr. Reed Horting, a Board member from PECO Energy noted that part A is in scope and it would serve the industry well to provide information that anyone can use. He further noted that parts B and C are outside of scope since they both implicate compliance and policy issues.

Mr. Richard Smith from ExxonMobil supported the determination to find the request out of scope, although it is an issue of importance to the industry. He agreed with others that NAESB should defer any decisions until after the FERC conference on gas interchangeability.

Ms. Sheri Heslington from Dominion Producing noted that as a producer in the Rockies with firm transportation on 2 pipelines to get her gas to market, she see a need for NAESB standards. Each of the pipelines calculates hydrocarbon content differently. Both are correct, but it makes it difficult for her to ensure that her gas is in compliance with the tariffs. She supported finding all three parts of the request within scope.

Ms. Dona Gussow of FPL is the author of the request. A great deal of thought went into drafting all three parts of the request. The reason NAESB was chosen was it's an open forum for discussion. FPL is not being invited to any of the other trade association activities currently underway. She added that in the past, when NAESB required expertise, the participating companies provided it. Each company has the expertise in-house that it can lend to the process. She supports finding the request within scope.



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Motion to Find R03035 within Scope:

Mr. Haynes read the definition of NAESB's scope from NAESB's Certificate (Article 2):

“Section 1. 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.”

Mr. Haynes then recommended that the Managing Committee conclude that all three parts of Request R03035 are within scope, and that the Managing Committee directs the NAESB Office to put the question to the full Board through a notational ballot so that the Board's views may be known prior to the FERC gas interchangeability conference on Feb. 18, 2004. All members of the Managing Committee present voted in favor. Mr. Templeton recommended that the same materials made available to the Managing Committee for this call also be made available to Board members.

Ms. Dale Davis raised a procedural issue of whether a notational ballot was appropriate since it did not afford the Board ample opportunity to have a full airing of the issue. Mr. Bill Boswell, NAESB General Counsel, assured Ms. Davis that the Managing Committee has the full authority to act between Board meetings, and that such actions were binding until the Board affirmatively overturns the Managing Committee's decision. Thus, by putting this issue out for a notational ballot, the Board will have an opportunity to review the Managing Committee's decision today prior to its next regularly scheduled meeting on March 18, 2004.

Best Regards,

Rae



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Attendees:

**North American Energy Standards Board
Management Committee Conference Call
February 10, 2004, 2:00 pm CST**

Name	Organization
1 Bill Boswell	NAESB
2 Jim Buccigross	Group 8760
3 Christopher Burden	Williams Gas Pipeline
4 Suzanne Calcagno	UBS Energy
5 Yvette Camp	Southern Company
6 James Cargas	NAESB
7 Delores Chezar	KeySpan Energy
8 Craig Colombo	Dominion
9 Pete Connor	NiSource
10 Cynthia Corcoran	Enbridge Energy
11 Dale Davis	Williams Gas Pipeline
12 Jennifer Deegan	Washington Gas & Light Co.
13 Michael Desselle	American Electric Power
14 Alan Flater	American Transition Company
15 Bill Grygar	Panhandle Eastern
16 Dona Gussow	Florida Power & Light
17 Dennie Hamilton	Reliant Resources
18 Leonard Haynes	Southern Company
19 Sheri Heslington	Dominion
20 Gary Hinnners	Reliant Energy Services
21 Reed Horting	PECO Energy
22 Alan Johnson	Mirant
23 Ruth Kiselewich	Baltimore Gas & Electric
24 Richard Kruse	Duke Energy Gas Transmission
25 Rae McQuade	NAESB
26 Michael Novak	National Fuel
27 Lou Oberski	Dominion
28 Tony Reed	Southern Company
29 Richard Smith	Exxon Mobil
30 Marilyn Specht Adusei-Poku	NiSource
31 Joe Stepenovitch	Florida Power & Light
32 Jim Templeton	Comprehensive Energy
33 Carlos Thillet	PECO Energy
34 Steve Zavodnick	Baltimore Gas & Electric