



North American Energy Standards Board

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TO: NAESB Board of Directors, Posting for Interested Industry Participants
FROM: James Cargas, NAESB Deputy Director
RE: Draft Minutes from the NAESB Board of Directors Meeting – March 18, 2004
DATE: March 19, 2004

NAESB Board of Directors Meeting

Thursday, March 18, 2004
9:00 a.m. – 12:30 p.m. Central
Houston, TX

1. Welcome & Administrative Items

Mr. Haynes called the meeting to order. Mr. Boswell gave the antitrust advice. Mr. Cargas called the roll of Board members and quorum was established in each Quadrant. Mr. Haynes welcomed the new board members. Mr. Dunleavy moved, seconded by Mr. Templeton, to adopt the draft agenda. The motion passed unanimously. Mr. Buccigross moved, seconded by Ms. Ogenyi, to adopt the minutes from the December 4, 2003 Board of Directors meeting as drafted. The motion passed unanimously.

2. Managing Committee Report: Action Taken on Request R03035

Mr. Buccigross summarized the history of Request #R03035 submitted by Florida Power and Light. The request has NAESB addressing three distinct areas of gas quality: (A) establish web-based reports for tracking all physical and chemical properties of natural gas defined in pipeline tariffs; (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 and draft such standards as appropriate.

Mr. Buccigross related how the Triage Committee on Jan. 9, 2004, found parts A and B in scope, but deferred to the Executive Committee (EC) on part C. On Feb. 5, 2004, in a full conference call of all quadrants of the EC, the Wholesale Gas Quadrant (WGQ) EC determined that none of the parts were in scope through a 7 to 10 vote. The other quadrant EC's did not have quorum to establish their votes, which would not have resulted in a different outcome as each quorum is required to have a simple majority approving the request in scope. Accordingly, the entire request failed before the EC as being out of scope. Once that determination was made, the issue was remanded to the Managing Committee and the Board of Directors for a final determination.

Mr. Haynes discussed the subsequent Managing Committee meeting on Feb. 10, 2004, in which it was determined that all three parts are in scope as defined in NAESB's Certificate. He explained that as Chair he has the authority to request a notational vote, and that he called for such a vote to ratify the Managing Committee's decision prior to Ms. McQuade's scheduled presentation at the FERC Technical Conference on gas quality on Feb. 18, 2004. The Board's notational ballot ratified the determination that all three parts were in scope, through separate votes for each part.

Mr. Chapman discussed his proposed resolution on amending the By-Laws and NAESB Operating Procedures (NAESBOPs). Procedurally, he requested guidance on the process for addressing the proposal. Mr. Haynes suggested that his amendment would be best discussed under New Business.



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Mr. Maassel made a motion regarding action on the Annual Plan regarding assignment of R03035. Mr. Maddox seconded this motion. However, Mr. Haynes suggested that it would be more appropriate to discuss and vote on this motion under Item 5 under Amendments to Annual Plans. Accordingly, the motion was temporarily tabled.

3. Executive Director's Report

Ms. McQuade gave the Executive Director's report.

Monthly Update Calls – 'At A Glance': Ms. McQuade stated the At A Glance calls are still being held and are well received, with attendance mixed between representatives from NARUC, federal agencies and NAESB members. There are often between 70 and 100 participants. The frequency of the calls was discussed and it was determined to leave them on a monthly schedule. State Commission staff Diane Barney (NY), Lou Ann Westerfield (ID) and Thom Pearce (OH) have been very helpful in setting the agenda. Topics and speakers come from all four quadrants, and can be suggested by anyone. She noted the next call is scheduled for April 21 at 2:00 p.m. Eastern.

Membership Report: Ms. McQuade reported membership began the year at 357. As of this month, it declined to 353 as NAESB concluded the invoicing cycle for most of the WGQ members and RGQ members. With the roll out of the retail model business practices for credit worthiness and billing and payments, Ms. McQuade hopes to see an increase this year for the retail quadrants so that they may maintain their requirement to keep 40 members in the quadrant. Similarly with the seams activities and coordination with North American Electric Reliability Council (NERC) on transitioning NERC policies to NERC reliability standards and NAESB business practices, there may also be an up tick in membership for the wholesale electric quadrant. Currently, each of the retail quadrants are contributing 11% to the membership numbers, the wholesale gas quadrant is contributing 35% and the wholesale electric quadrant is contributing 43%.

Advisory Council Report: Ms. McQuade reported that the NAESB Advisory Council met in conjunction with the Winter National Association of Regulatory Utility Commissioners (NARUC) meeting in Washington on March 6. Chairman Denise Bode of the Oklahoma Corporation Commission and Dr. John Bulger of the Canadian National Energy Board have been added as members of the council. Bruce Ellsworth was re-elected to serve as chairman for 2004-2005. The annual plans were reviewed, and of considerable interest was the seams effort, the effort to complement NERC's reliability standards including those in response to the August 14 blackout, the need for gas-electric coordination as highlighted by the January New England difficulties, the work products from the retail quadrants on creditworthiness and supplier billing and payments, and the gas quality/interchangeability issues.

For the model business practices, Ms. McQuade stressed they were "works in progress" and if the practices did not reflect their particular state or provincial practices, there are procedures in place to amend the practices to be more inclusive. Ms. McQuade asked council members to review the practices to determine if changes were needed, and also asked them to review the membership roster sorted by state to determine if they had adequate representation from companies operating in their regions.

Because this meeting was held at the NARUC Winter meeting, NAESB was also able to give updates to the NARUC Gas Committee, NARUC Gas Staff Subcommittee and NARUC Electric Reliability Subcommittee. By general consensus, it was determined to hold next year's council meeting in conjunction with the NARUC Winter meeting again. NARUC Executive Director Charles Gray has agreed to support NAESB's inclusion as an external meeting to the program.



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4. Financial Report

Accrual Based Report 2003 YE: Ms. Darla Wishart gave the financial report for the year ending 2003. Net income for 2003 was \$106,055. Although expected net revenue was off by 11.2%, expenses were monitored and continually adjusted through the year such that they were meeting or under revenues collected and came under budget by 16.6% leaving a positive balance for the year in the net income. Ms. McQuade attributed variations to fewer memberships than projected, fewer courses than projected, the adjustment to the publication date of all quadrant's standards and other cost-cutting measures taken.

Accrual Based Report January 2004: Ms. Wishart reported that NAESB is in line with the 2004 budget after reviewing the figures for January 2004. Ms. McQuade also noted that both expenses and revenues were lower than budget for January. The organization should be able to better evaluate the budget and assumptions made for net revenue and expenses for 2004 after a few months. .

Review of Conference Calling Charges Policy: Ms. McQuade reviewed the 2004 Conference Calling policy such that all participants had a greater understanding: a charge of \$50.00 per line would be assessed for all NAESB meetings with both in-person and conference call attendance availability; payment of the conference call fee should be made by credit card or check; member companies have the option of paying a one-time fee of \$1,000 which would cover all employees of that company for all conference calling for 2004; and state, federal or provincial government employees, trade association staff and consumer advocates are exempt from the fee.

Ms. McQuade presented an analysis of the policy's impact to date. She observed that while the overall percentage for the past several months has stayed the same for the ratio of those participating by conference call versus those in-person (30-32%), the numbers of participants have increased in both categories by more than 10%. Ms. McQuade stated the conference calling policy, as reflected in the 2004 budget and previously approved by the Board, was intended to offset the telecommunications charges pursuant to NAESB's contract with MCI. It was never intended to be a profit center. NAESB has budgeted \$150,000 for telecommunications in 2004.

To date, NAESB has collected \$36,500 under this policy, the majority of which falls in the annual fee category. Ms. McQuade expects the fee will mostly be the \$50 "per call" fee from now on as most members who have considered the annual fee have already made such payments. She noted that the annual fees are booked in current month's income as are the "per call" fees, and are not amortized over the year.

5. Additions to the Annual Plans – Disposition of Request R03035

Mr. Haynes re-read Mr. Maassel's tabled motion regarding action on the WGQ Annual Plan regarding assignment of R03035. Mr. Maddox had previously seconded this motion.

Discussion of the motion began with a presentation by Ms. Dona Gussow, the author of R03035. Her presentation appears at Tab 5 of the meeting materials. Ms. Gussow noted that the request was motivated by the power generation operations at Florida Power & Light (FPL) which generates a large percentage of its power from natural gas. Nationally, 25% of natural gas is used for electric generation. She also stated that various business concerns were also present such as environmental operating permits, due diligence reporting requirements, and the decreased Btu value when liquids drop out. While the request was drafted in three parts, FPL did not intend the parts to be sequential, i.e., part A does not need to be addressed before work begins on part B. She concluded that no part of the request specifically asks NAESB to develop gas quality specification standards, but the business practices involving various aspects of gas quality.



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During discussion, it was noted that if there are concerns about the gas quality entering a turbine generator, the operator cannot learn of this as it goes into the turbine. The turbine operator needs to know in advance so the equipment can be adjusted. Mr. Haynes noted that many issues, such as the timing of reports, were reserved for the subcommittee to which the work will be assigned.

In support of the motion, Mr. Mills noted that it would give the Natural Gas Council (NGC) efforts time to be addressed, and the FERC to make some policy decisions based on the NGC's results. Resolution of part A is not dependent upon the NGC. Ms. McQuade noted that she has been involved in the NGC's efforts and will continue to coordinate with them.

Mr. Sappenfield supported the motion and said NAESB needs to work on part A since there are no policy concerns, whereas FERC may be requested to provide policy on the other parts. Mr. Sappenfield said NAESB is the proper forum for developing standards that would emanate from this request or from the NGC deliberations.

Ms. Ogenyi, with the support of Mr. Anderson and Mr. Sappenfield as well as the motion's movers, Mr. Maassel and Mr. Maddox, proposed an amendment that acknowledged the Board's earlier notational ballot on the scope of R03035. The amendment was accepted.

After the amendment, Mr. Maassel's motion read as follows (amendment underlined):

Consistent with the earlier vote by the Board of Directors on scope, I move that the Board amend the 2004 annual plan to add part A of the request for standard R03035 as proposed by Florida Power & Light with the understanding that

- (1) the Executive Committee shall first work on part A, and that the Executive Committee shall report to the Board regarding its progress concerning Part A,
- (2) work on parts B and C shall be deferred until the Board has determined that the annual plan should be revised to reflect development for parts B and C, and
- (3) it is the strong recommendation of the Board that the Executive Committee shall assign work on this matter to the Wholesale Gas Quadrant, with the understanding that, as is customary, any other interested quadrant(s) may participate in the development process.

Mr. Haynes called the vote there being no additional requests for discussion. The motion, with a simple majority vote requirement, passed 37 For, 3 Against, and 2 Abstentions (Mr. Kruse and Mr. Mucci).

6. Executive Committee Report

The annual plans of each quadrant were reviewed by the EC leadership of that quadrant. Discussion is shown below:

Retail Gas Quadrant (RGQ) and Retail Electric Quadrant (REQ): Ms. Kiselewich noted that the two quadrants continue to work together and are on schedule with their annual plans. She reported on the NARUC presentations on the new Creditworthiness and Supplier Billing and Payment Model Business Practices (MBPs) and how well they were received. The retail quadrants are now proceeding on the next stage for these MBPs. A model non-disclosure agreement (NDA) and process flow diagrams are being worked on for the Creditworthiness MBPs. For the Supplier Billing and Payment MBPs, a data dictionary and sample paper transaction are being developed. The one difference between the retail quadrants' efforts is represented by the RGQ gas inventory task force. The task force is surveying the form of data transmission being used by the industry. She anticipates RGQ's efforts aiding both quadrants in the end.



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7. Updates on Related Groups

Natural Gas Council (NGC) Industry Collaborative on Gas Quality and Interchangeability: Ms. McQuade reported that she sits on the Collaborative. At the March 2 meeting, there were technical speakers that included many of our own Board members. The NGC formed two task forces: a hydrocarbon due point task force (Randy Mills is a member of this task force), and gas quality task force. The NGC has expanded this effort to include other associations including Edison Electric Institute, Electric Power Supply Association, Gas Appliance Manufacturers Association, Process Gas Consumers, American Public Power Association, American Public Gas Association, University of Houston, International LNG Association, and NAESB. The minutes are in Tab 7 of the materials. A specific work plan or time line for deliverables from the collaborative has not been developed yet.

Joint Interface Committee (JIC): The JIC's recent meeting in New Orleans was discussed above under the WEQ's Annual Plan.

Coordination with NERC and WEQ: In addition to the joint efforts described by Mr. Oberski above, Mr. Desselle noted that NAESB has representation on several NERC task forces, including: Transitions Task Force (Rae McQuade, Michael Desselle, Phil Cox), Post-Legislation Task Force (Michael Desselle), Compliance Templates Task Force (Joe Hartsoe). Furthermore, Mike Grim, who is the chair of the NERC Markets Committee, is a newly elected NAESB Board member for the WEQ. Finally, Mr. Desselee sits on the NERC Board as an ex-officio member.

Mr. Desselle observed that the forthcoming release of the final blackout report can be expected to accelerate the coordination activities of NERC's Transition Task Force and NAESB's Business Practices Subcommittee (BPS).

8. Old and New Business

Meeting Schedule for 2004: Ms. McQuade reminded the Board that the 2004 schedule of meetings is as follows: June 10, San Antonio at the Menger Hotel, Texas; September 16, Austin at the Driskill Hotel; and December 9 at the Marriott Houston Intercontinental Airport. The June 10 meeting will include a strategic planning session. The September 16 meeting will be in conjunction with NAESB's Annual Meeting.

New Business:

Proposed Amendment to NAESB Bylaws

Mr. Chapman made a motion amending NAESB's Bylaws and requested that it be assigned to the Parliamentary Committee. The motion was seconded by Mr. Kruse. The amendment read as follows:

NAESB Board of Directors Resolution Modifying the NAESB Bylaws

WHEREAS, the Operating Procedures of the North American Energy Standards Board (NAESBops), Standards Development and Maintenance, Action on Request provides that when a request for standards development or maintenance is submitted, following a recommendation as to whether the request is within the scope of NAESB, the Executive Committee (EC) approves, amends or rejects the recommendation that the request is within the scope of NAESB, and

WHEREAS, pursuant to the same section of the NAESBops, if the EC does not find the request in scope, the recommendation is forwarded to the Board of Directors (Board) for a final determination as to whether the request is in scope, and