



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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Home Page: www.naesb.org

TO: NAESB Wholesale Gas Quadrant Executive Committee, Posting for Interested Industry Participants

FROM: Todd Oncken, NAESB Staff

RE: NAESB Wholesale Gas Quadrant Executive Committee Meeting Final Minutes – April 9, 2003

DATE: May 1, 2003

**Wholesale Gas Quadrant Executive Committee Meeting
April 9, 2003, 9:00 a.m. – 4:00 p.m. EST
Final Minutes**

1. Welcome

Mr. Buccigross welcomed meeting participants and thanked Ms. Gussow and Florida Power and Light for hosting the Executive Committee meetings. Mr. Oncken gave the antitrust advice. Meeting attendees introduced themselves.

2. Adoption of Agenda & Minutes

Mr. Novak proposed to add discussion of the NAESB web site enhancement document as an item of new business. Mr. Young moved, seconded by Mr. Spangler, to adopt the agenda as modified. The agenda was adopted unanimously.

Ms. Davis moved, seconded by Mr. Griffith to approve the redlined version of the February 20, 2003 WGQ Executive Committee minutes, with additional modifications to the attendance list. The motion passed unanimously.

Mr. Novak moved, seconded by Mr. Columbo, to approve the March 11, 2003 WGQ Executive Committee Conference Call minutes, with modifications to the attendance list and voting record. The motion passed unanimously.

Ms. Gussow moved, seconded by Ms. Chezar, to approve the March 17, 2003 WGQ Executive Committee Conference Call minutes as written. The motion passed unanimously.

3. Interpretations Subcommittee

Mr. Novak provided an update on the WGQ Interpretations Subcommittee. He stated the Interpretations Subcommittee has met three times by conference call and has an additional call scheduled for April 22, 2003. Mr. Novak said the Interpretations Subcommittee has been working on Request C03001 relating to the use of the HEAD command in NAESB EDM, and has three additional requests pending.

4. PKI Initiative

Mr. Buccigross initiated discussion of NERC's Public Key Infrastructure (PKI) Initiative. He explained NERC's Critical Infrastructure Protection Action Group (CIPAG) is working on two efforts: 1) a cyber-security standards request for electric reliability, tab 5 of the meeting materials; and 2) the PKI Initiative, tab 2 of the meeting materials. Mr. Buccigross stated the cyber-security standards request is most relevant to the Wholesale Electric Quadrant (WEQ) as a reliability measure, but does not have far-reaching impacts on the other quadrants of NAESB. In contrast, the PKI Initiative could impact all NAESB quadrants. A final draft of the PKI specification can be found on the NERC web site.



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Mr. Buccigross explained the PKI Initiative as an effort to define an electronic communications protocol, currently limited to tagging. However, he stated that once created the infrastructure could be imposed on other transactions. Mr. Buccigross noted the PKI Infrastructure is different than NAESB EDM specifications. He said it has been suggested PKI should be the infrastructure for all energy transactions. Mr. Spangler commented it could be problematic to have one specification (PKI) for all WEQ transactions, but still use NAESB EDM for WGQ, REQ, or RGQ transactions.

Participants discussed the role the WGQ should assume in the PKI Initiative. Mr. Novak asserted the WGQ should become active in PKI, although it is not currently affected. Ms. Van Pelt agreed and noted the importance of participating early in the process, especially with the suggestion that PKI could be adopted as the infrastructure for all energy industry transactions. Ms. Van Pelt noted the extensive debate during the development of NAESB EDM. She expressed concern about the potential of a replacement communications protocol being imposed without input in the development process.

Mr. Desselle commented that the PKI Initiative will be developed through the NERC standards process for application to reliability issues. Mr. Buccigross added that as the initiative develops NAESB members may choose to comment if they expect that the reliability standard may be applied to market-based efforts. Mr. Spangler expressed concern that the document presented under tab 2 reads as though the PKI Initiative is a joint effort between NAESB, NERC, and the Department of Energy. The NAESB representative to the PKI subcommittee, Mr. Buccigross, noted that we have been invited to participate and have attended several of the meetings, but would not describe our participation as a joint effort.. Mr. Buccigross further noted that the document is still in a draft format.

Mr. Burden noted the PKI proposal is a fairly significant undertaking. He agreed that the WGQ and NAESB have not been involved in the NERC effort and to that extent the report is misleading. At a broad level, he explained how the process was different from NAESB EDM. Currently, the market participants have public and private keys used to authenticate information in communication transactions. Under the PKI proposal, the market participants would go to an authority that holds the keys, to get the keys. He noted PKI does not entirely replace EDM, it just applies to a portion of EDM.

Mr. Griffith commented the potential ramifications of the PKI Initiative should concern all market participants. He noted implementing new technology is not inexpensive, and customers of pipelines might not adopt the new technology immediately. He stated it might mean running the two systems for a long time.

5. WGQ Quadrant Procedures

Ms. Van Pelt reported she and Ms. Chezar have discussed a work plan for revision to the WGQ Quadrant procedures and decided to begin work after the WGQ BPS Creditworthiness Work Plan is complete. Ms. Van Pelt stated the procedures needed a final review before they would be ready to be posted for action at an Executive Committee meeting, possibly as early as the June meeting.

6. Update on 2003 WGQ Annual Plan & Subcommittee Reports

Business Practices Subcommittee: For the normal course of business, Ms. Van Pelt stated the Business Practices Subcommittee (BPS) will work on triaged requests after the work on creditworthiness is complete.

Mr. Novak reported on the BPS Creditworthiness work. Mr. Novak reviewed the work plan and noted work was essentially complete. He noted the BPS will be meeting until April 21, and then the strawman standards will be voted out of the subcommittee, posted for comment, and discussed at



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the WGQ Executive Committee on May 20, 2003. He noted comments will be posted to the WGQ Executive Committee page of the web site, not the BPS page.

Mr. Novak stated the standards will require slight, non-substantive changes to finalize the package. For the clean up process, Mr. Novak requested participants follow the model submitted by Duke Energy, as currently posted on the web site. Additionally, he stated some terminology used in the strawman might not be consistent with the terminology used by the credit or treasury groups. Mr. Novak encouraged participants to research those issues and be prepared to propose modifications, possibly at the May Executive Committee meeting. Ms. Davis suggested it would be better to resolve any language issues in the last BPS meeting, rather than the May EC meeting. Accordingly, Ms. Van Pelt requested proposed language changes be submitted for discussion at the April 16 BPS meeting.

Mr. Novak stated an outstanding issue is the location of the creditworthiness standards in the standards booklet. He stated currently the strawman is drafted in 'z' format, but that practice will leave them in the same case as the standards from R02002-2. Mr. Novak suggested including the creditworthiness standards in Book 5 and changing the name from Capacity Release to Capacity Utilization, Capacity Management or Capacity Administration.

Ms. Van Pelt proposed numbering the standards after member ratification, because that is when they become standards instead of recommendations. Additionally, she noted NAESB does have general standards [numbered in the 0 series] and suggested locating the creditworthiness standards in that series. Ms. Chezar preferred the creditworthiness standards relating to capacity release be located with the capacity release standards, even though that organization might require segmenting the standards package.

Ms. Davis expressed concern with changing the name of Book 5, noting that conforming changes might need to be made elsewhere as well. On the subject of assigning numbers, she agreed with Ms. Van Pelt that standards numbers should not be assigned until the standards are ratified.

Ms. Davis raised the issue of fully staffing the creditworthiness standards. She noted the historical practice of sending only fully staffed standards out for ratification. Fully staffed means the IR Subcommittee and Technical Subcommittee processes have been completed and the standards are ready to be implemented. She stated concern about sending the standards out for ratification before the package was complete. NAESB members would be asked to vote on a partial package. Once ratified, the FERC could mandate the implementation of the business standards without the corresponding implementation. This would lead to non-standardized implementation. Then at a later date, a second implementation, in a standardized format, would be mandated. This would not only cause confusion but would also be costly.

Ms. Davis moved, seconded by Mr. Griffith, to modify the BPS Creditworthiness Work Plan as follows: 1) remove the date from Items F and G and replace with TBD, defining TBD through a footnote indicating the date to be determined upon the recommendations being fully staffed and approved by the EC; and 2) take the note out as it does not seem to be applicable.

Participants discussed the motion. Mr. Novak expressed concern about meeting the FERC June 1 report deadline, and noted FERC action is historically tied to ratifications. Ms. Davis stated the June report has been mischaracterized. It does not mandate ratified standards, but instead is a report of the progress made towards standards. Regardless, Mr. Novak stated FERC is expecting ratified standards, and he would like confirmation on the point before a vote is taken on the motion.

Seeking a compromise, Ms. Chezar asked if there was an estimate on the amount of time required to fully staff the standards. Ms. Davis did not have a time estimate for the IR Subcommittee



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process. Ms. Van Pelt projected the work of the Technical Subcommittee could be completed by August. However, Ms. Van Pelt and Ms. Davis noted the amount of work depended on the package that was voted out of the May WGQ Executive Committee meeting. Mr. Buccigross stated the report, at a minimum, should note that the EC endorsed business practice standards are in the process of being fully staffed and should be expected to be ratified and available in a date certain.

Ms. Daly opposed delaying ratification. She preferred to see the package ratified, and then inform the FERC in the report that NAESB does not want the standards implemented until they are fully staffed. Mr. Novak supported Ms. Daly's approach. He was unclear whether Ms. Davis's motion interferes with the regulatory process. He suggested not voting on the motion, but instead discussing with FERC informally regarding the issue prior to the May 20, 2003 meeting. Then, if warranted, Mr. Novak stated the EC could vote on a version of Ms. Davis's motion.

Ms. Davis withdrew the motion, noting that at the May 20 meeting the Executive Committee will be better informed as to the package that passes and an estimate of what time commitments are required for full staffing of the standards.

Mr. Buccigross asked for objection to shortening the comment period from 30 days to 28 days for the creditworthiness strawman, such that the package would be posted April 21 and comments due May 19. There was no opposition noted.

Contracts Subcommittee: Mr. Sappenfield reported on the work of the Contracts Subcommittee. He stated the Contracts Subcommittee met March 27 – 28, 2003 to work on the first round of comments submitted on the draft Credit Support Addendum and Coversheet. He noted an extensive discussion on the merits of adopting the standard. He highlighted comments by a group of LDC representatives who thought the standard was not prudent because, as drafted, the standard was not clearly optional. Other stated concerns were the lack of participation by all segments in development of the documents and how Executive Committee members would vote on the documents when presented at a meeting when they had not participated in the development of the documents. Mr. Sappenfield stated participants reached consensus on the conflicts with the workload created by BPS Creditworthiness standards development, and the potential conflict between terms used in the work product of each group.

The Contracts Subcommittee has scheduled another round of comments on the draft documents to commence after the BPS Creditworthiness work is complete. Additionally, the subcommittee voted to develop a User's Guide for the documents to clarify the completion process and the optionality of the agreement. Mr. Novak indicated the LDC representatives were open to discussion and would not automatically veto the agreement when it comes before the Executive Committee. Mr. Novak highlighted a primary point of concern on the Credit Addendum: the agreement focuses on the financial control of the gas, but it does not address the LDC taking control physically of the gas.

EDM Subcommittee: Mr. Spangler reported on the activities of the EDM Subcommittee. He stated the subcommittee hoped to have a recommendation for 2003 WGQ Annual Plan Item 5, *Technical update to the EDM manual*, but the recommendation would not be ready for Executive Committee action until the June meeting.

Mr. Spangler proposed the following addition to the 2003 WGQ Annual Plan:

Explore the feasibility and impacts of separating Tab 6 of the WGQ EDM Manual out of the Manual and creating a stand-alone document. Such a document could form the basis for a multi-quadrant EDM specification. The remaining Tabs/Sections of the WGQ EDM Manual would remain as WGQ standards. Final determination of such separation would be subject to WGQ EC approval.



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Mr. Spangler explained this would be a feasibility study, since the big stumbling block to a common EDM is that the EDM manual contains a variety of standards. Separating Tab 6 would make the industry independent internet communications standards distinct.

Participants explored the proposal. Ms. Van Pelt asked if this proposal would impact version 1.7 standards. Mr. Spangler confirmed it would be an exploratory measure that would not impact version 1.7. Ms. McVicker favored the proposal. It was suggested a modification to the Annual Plan was not required, since the topic could be addressed under 2003 WGQ Annual Plan Item 2, *Preparation of documents and submission of EDM standards to ANSI for approval as ANSI standards*. Mr. Spangler concurred the annual plan item would generally cover the topic, but members of the EDM Subcommittee felt it important to highlight the proposal.

It was noted this proposal is consistent with the determination in the Annual Plan Subcommittee (APS) of a potential cross quadrant item. Ms. Van Pelt noted creating a stand alone manual is not an easy task. Mr. Novak favored the approach as it signifies the initiation of WGQ EC work on a common EDM specification.

Information Requirements Subcommittee: Ms. Davis reported the Information Requirements Subcommittee is working through its backlog and has been assigned no high priority items. She noted work on Request No. R98047 is still not complete.

It was noted the work of the Information Requirements Subcommittee can be frustrating since the work continues even when the sponsors of the request are not participating. Mr. Griffith suggested that when a party requests a standard, they should participate in its development. To assist in completion of the backlog and encourage participation, the chair's ability to schedule the agenda was discussed. It was suggested that work be suspended on an item if the proponent of the request is not available to participate in the meeting where it is discussed. Then the subcommittee could proceed on to the next request. Mr. Spangler suggested reporting at the Executive Committee meeting those requests on which work was suspended.

Technical and ANSI X12 Subcommittee: Ms. Van Pelt reported on the status of the Technical Subcommittee. She noted there are several recommendations slated to go out for comment and consideration at the June Executive Committee meeting. Additionally, she noted there were several requests pending because of a significant backlog. For the ANSI X12 Subcommittee, Ms. Van Pelt reported several items are pending before ANSI. She noted NAESB has quite a few requests for new data sets which will take some time to process due to the X12 process. She stated requests would be less onerous if they were consistent with an existing X12 standard.

Changes to the 2003 WGQ Annual Plan: Mr. Buccigross noted no changes to the 2003 WGQ Annual Plan were required, but the Annual Plan Subcommittee (APS) would be giving a report on identified cross-quadrant issues and potential 2004 Annual Plan items.

7. 2004 WGQ Annual Plan Development

Mr. Zavodnick reviewed the presentation of the Annual Plan Subcommittee (APS) activities, located under Tab 2 of the meeting materials. Mr. Zavodnick noted the APS was established to review all the NAESB Annual Plans and review Quadrant activities to identify potential issues and to bring those issues to attention of individual Executive Committees, not make recommendations as to their disposition. Additionally, the APS was charged with coordinating the development of future annual plans. Mr. Zavodnick encouraged the WGQ Executive Committee to consider the common items identified and make any Annual Plan modifications they deem necessary.

Participants discussed the need for an update for each of the quadrants to be presented at each Executive Committee meeting, especially if work is being done on the identified potential common



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items. Mr. Buccigross commented that was a good idea. Participants discussed how work would occur on an item that was identified as common. Specifically, Ms. Chezar asked why the WEQ was working independently on electric day when it had been identified as a common item. It was suggested that if there is general agreement these items involve all 4 quadrants, we need some procedures.

Ms. McQuade noted the WEQ is subject to procedures, primarily due to the Joint Interface Committee (JIC), that the other quadrants do not go through. Specifically, the WEQ has the preliminary step of submitting a completed standards request form to the JIC for review and assignment to NAESB for further standards development. Ms. McQuade agreed NAESB should have an internal decision on whether there needs to be joint work on items identified as common to more than one quadrant.

Regarding the electric day, Mr. Novak noted the WEQ is not far into the standards development process, as they are still debating the need for a standard. However, he noted the WGQ should be engaged and monitoring the process, since with the prominence of gas-fired electric generation, this could easily be four quadrant issue. Mr. Novak suggested the WGQ make the first step on coordination, given the possibility NERC could devise a reliability standard that would de facto affect the energy industry as a whole.

Ms. Gussow noted all NAESB meetings are published to the NAESB web site, and if people are interested in participating, that is the natural starting point for obtaining information. She suggested the WGQ participants broaden the scope of the documents they review.

8. New Business

NAESB Web site enhancement

Mr. Spangler reported on the efforts of the ad hoc group proposing modifications to the NAESB web site. Mr. Spangler reviewed the workpaper and stated the goal of the group was to provide a common look and feel across the Quadrant pages. Mr. Spangler suggested many of the changes would be a reorganization of the current information.

Mr. Spangler explained the report would be provided to the NAESB Office as a resource to be worked on as time and resources provide. Mr. Novak likened the document to talking points or a concept for people to consider. Ms. Davis commented that she liked the concept, with some modifications (i.e. alphabetize the subcommittees, add implementation guides and add quadrant/segment procedures) and noted the web site changes are needed.

Additionally, Ms. Chezar suggested a large improvement would be to make it easier to navigate into the subcommittee pages. Mr. Burden suggested implementing a search feature. Mr. Buccigross encouraged other suggestions to be sent to Mr. Spangler via email.

Location of May 20, 2003 WGQ Executive Committee Meeting: Mr. Buccigross stated the options for the location of the May meeting are Houston, TX or Washington, DC. Mr. Buccigross took a poll of Executive Committee members. Houston was selected by a margin of three to one. Ms. Chezar expressed concern on the method of selecting meeting location and said meetings should be located for the convenience of the most people. It was noted the June Executive Committee meetings are scheduled for Washington, DC, and also that selection of meeting locations is the prerogative of the Chair. Ms. Van Pelt noted the Executive Committee has not met in Houston since 2000.

9. Adjourn

The meeting adjourned at 12:47 p.m. EST.



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6. Executive Committee Attendees

End User Segment	Title, Organization	Present
Diane McVicker	Sr. Principal Fuel Supply Analyst, Salt River Project	In Person
Gary Hanners	Director of Natural Gas Regulatory Issues, Reliant Energy Services, Inc.	Phone
Kelly Daly	Partner, Morrison & Hecker, rep. Arizona Public Service Co.	In Person
Dona Gussow	Contracts Coordinator, Florida Power and Light	In Person
Tina Burnett	Natural Gas Operations Administrator, Boeing	In Person
LDC Segment		
Rodger Schwecke	Pipeline Products Projects Manager, Southern California Gas	Phone
Dolores Chezar	Director, Regulatory Policy, KeySpan Energy	In Person
Chris Maturio	Director, Operations Integration, NiSource, Inc.	In Person
Mike Novak	Assistant General Manager, National Fuel Gas Distribution	In Person
Craig Columbo, alt. for Steve Sullivan	Dominion Resources	In Person
Pipeline Segment		
Mark Gracey	Consultant – Business Processes, Tennessee Gas Pipeline Co.	In Person
Bill Griffith	Director, Transmission & Storage, Colorado Interstate Gas Co.	In Person
Dale Davis	Consultant, Williams Gas Pipeline	In Person
Randy Young	Director, Regulatory Compliance, Gulf South Pipeline Co., LP	In Person
Kim Van Pelt	GISB Coordinator, CMS Panhandle Eastern Pipe Line	In Person
Producer Segment		
Jim Busch	Director of Energy Policy and Regulation, BP Energy Company	Phone
Paul Keeler	Managing Attorney, Marketing, Burlington Resources	Absent
Sheri Heslington	Dominion Exploration	Absent
Richard Smith	Director, Regulatory Affairs, ExxonMobil	In Person
V A C A N C Y		
Services Segment		
Suzanne Calcagno	Associate Director – Regulatory Compliance, UBS Warburg Energy	Phone
V A C A N C Y		
Leigh Spangler	CEO, Latitude Technologies	In Person
Jim Buccigross	Vice President, 8760 Inc.	In Person
Keith Sappenfield	Director, EnCana Energy Services	Phone

Administrative:

Rae McQuade	-Executive Director
Veronica Thomason	-NAESB Staff
Todd Oncken	-NAESB Staff

Other Participants

Name	Company	Comments
Mariam Arnaout	American Gas Association	In Person
Mike Bray	Shell Gas Transmission	In Person
Kathryn Burch	Duke Energy – Texas Eastern	In Person
Christopher Burden	Williams Gas Pipeline	In Person
Michael Desselle	American Electric Power	In Person
Andy Dotterweich	Consumers Energy	In Person
Theresa Hess	Reliant Energy Retail Services	In Person
Alan Johnson	Mirant	In Person
Marcy McCain	Duke Energy – Texas Eastern	In Person
Bill Oppenheim	PECO	In Person



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Dan Munson	WE Energy	Phone
Michael Robison	Florida Power & Light Co.	In Person
Joe Stengel	Philadelphia Gas Works	In Person
Don Sytsma	R. J. Rudden Associates	In Person
Steve Zavodnick	Baltimore Gas & Electric	In Person