



Gas Industry Standards Board

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Home Page www.gisb.org

April 14, 1999

TO: Certification Evaluation Team: Bill Boswell (chair), Stan Horton, Steve Bergstrom (absent), Nancy Laird (absent), Lee Smith, Jim Buccigross, Dennis Holbrook
Chairman, Board of Directors: Jim Templeton

CC: Carl Caldwell, Shelley Corman

FROM: Rae McQuade, Executive Director

RE: **CERTIFICATION MEETING NOTES**

Mr. Templeton opened the meeting and noted that this meeting is open to all observers and agendas will be posted, but the participants to the meeting are the team members. He thanked the team members and then turned the meeting over to its chairman, Mr. Boswell. Mr. Boswell noted that the purpose of the group is to bring recommendations to the Board regarding the activity of certification. He noted that the Board will be asked two questions:

- Is this activity within the scope of GISB? and, if so,
- Is the activity in support of GISB's interests as an organization such that we should proceed?

The purpose of today's call was not to debate the above two questions, but to identify areas of concern that should be further addressed prior to the next Board meeting. Those areas are outlined below along with discussions held to date, and further information that should be gathered.

- **Insurance** Preliminary estimates show that Errors and Omissions (E&O) insurance could cost \$7,500 for \$4,000,000 coverage and \$1,500 for \$1,000,000 in D&O coverage. AGA recommended E&O in addition to the certification endorsement in the D&O insurance. Ms. McQuade will pursue additional information with our insurance carrier including the cost for higher levels of insurance.
- **Liability and Risk** Assuming GISB was sued for some action or failure to act under the certification program, and a judgment was entered against us, we should identify the risk profile of the members. How would shortfalls be addressed? Specifically, would the individual members be responsible for a judgment in excess of GISB insurance coverage? Another question to be answered by Mr. Holbrook is with regard to the provisions of Delaware law addressing the limitation of liability of directors of non-profit organizations. Mr. Holbrook is of the opinion that there would be no liability beyond the corporate assets of GISB; however, he will investigate and answer both of these questions.
- **Revenue Stream** As a result of a quick survey by Ms. McQuade and assuming that the certification program is approved in June or July, we could reasonably expect as many as ten certifications this year. This would generate revenue of \$75,000 under the currently-described charge mechanisms. We assume that the certifications would be requested predominantly by Information Service companies for software products or software service implementations. We could see a further revenue stream of \$150,000 in the following year. Ms. McQuade will go back to the potential requesters for certification for further information for the report.

There is a serious concern arising from the pipeline members that there might be a FERC mandate levied against them to become certified under the program. It is not intended that any GISB certification program be adopted by the FERC



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as a supplement to or substitution for the current obligations imposed upon the pipelines as a result of the FERC adoption of GISB standards. In other words, FERC-regulated entities already have an independent obligation to comply with FERC regulations and orders. We should consider making this clear if the program goes forward. In addition, Mr. Boswell noted that discussions with Chairman Hoecker may be needed to voice this sentiment and explain that the certification effort is for the benefit of GISB and those who wish to be certified and is independent of any regulatory activity.

- Antitrust Issues

Initially, we will work with AGA's in-house antitrust counsel to review and gather additional antitrust information. In conversations with AGA, it was noted that having a certification program may decrease the antitrust risk of an organization. Ms. Corman provided antitrust cases for review by Mr. Boswell and Mr. Holbrook. Mr. Holbrook noted that we should monitor the certification activities and ensure against gamesmanship. Additional antitrust review should be performed prior to finalizing the structure of the program. Ms. Corman noted that specific attention should be paid to certification processes and cases where the standards are also incorporated into regulations.

We likely will need to prepare a formal antitrust review of the program, but outside antitrust counsel should not be engaged by GISB until the Board has determined whether to proceed with the program. In the meantime, Mr. Holbrook and Mr. Boswell will attempt to further flesh this out.

- Value to the industry

Value to the industry should be further investigated before the Board's next meeting. Ms. McQuade will interview several industry participants to secure their opinions regarding a GISB certification program. Mr. Smith noted that the end user community would realize a definite benefit from a program of this sort assuming that the insurance, liability and antitrust questions can be successfully addressed.

Ms. McQuade and Mr. Holbrook will draft a report for this task force's review including information described above. The report should be drafted within the next two week period, and should identify the concerns raised and possible solutions. After the task force review, another phone conference may be required. The final report will be forwarded to the Board for review and action at its meeting in June. If the Board determines to go forward, further work may be required -- such as a formal antitrust review of the structure of the program.
