

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, WGQ, REQ, RGQ Meeting Materials
February 18-20, 2003

North American Energy Standards Board
Executive Committee Meeting

SUPPLEMENTAL INFORMATION

Wholesale Electric Quadrant
Wholesale Gas Quadrant
Retail Electric Quadrant
Retail Gas Quadrant

February 18, 19 & 20, 2003

NORTH AMERICAN ENERGY STANDARDS BOARD
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All Quadrants

Annual Plan Subcommittee Minutes – 2-11-03



North American Energy Standards Board

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via email and posting

TO: NAESB Executive Committee Members, Annual Plan Coordinators and Posting for Interested Parties

FROM: Rae McQuade, Executive Director

RE: Annual Plan Subcommittee Conference Call Draft Minutes – February 11, 2003

DATE: February 14, 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
ANNUAL PLAN SUBCOMMITTEE CONFERENCE CALL
February 11, 2003
10:00 a.m. to noon, CST**

1. Welcome

Mr. Buccigross welcomed participants and announced Mr. Zavodnick would lead the conference call. Mr. Buccigross gave the antitrust advice. Mr. Zavodnick called the roll by quadrant. Ms. Chezar moved, seconded by Mr. Moran, to adopt the agenda. The agenda was adopted without modification. Mr. Moran moved, seconded by Mr. Novak, to adopt the minutes from the February 3, 2003 APS conference call, as written. The minutes were adopted unanimously.

2. Review of 2003 Retail Electric Quadrant and Retail Gas Quadrant Annual Plans to determine if there are items that require Joint Quadrant activity

Mr. Zavodnick initiated discussion of the 2003 Retail Electric Quadrant (REQ) Annual Plan and 2003 Retail Gas Quadrant (RGQ) Annual Plan. Mr. Zavodnick noted the following items do not appear to overlap: 1) 2003 RGQ Annual Plan Items 1, Inventory Existing Natural Gas Practices within States, and 9, Examine Wholesale gas Quadrant Non-EDM Standards; and 2) 2003 REQ Annual Plan Items 5 - Retail Meter Data Validation, Editing & Estimating, 7 - Load Profiling, 11 - Settlement Process, 13 - Technical Electronic Implementation Standards-Billing & Payments, 14 - Technical Electronic Implementation Standards-Customer Enrolling and Switching, 15 - Technical Electronic Implementation Standards-Metering, 16 - Technical Electronic Implementation Standards-Load Profiling, and 17 - Technical Electronic Implementation Standards-Customer Information. Ms. Alexander noted the bulk of the substantive work is clearly related. Mr. Novak suggested coordination of work between the RGQ and REQ at the Joint RGQ/REQ EC session during the February Executive Committee meeting.

Participants discussed the potential coordination at the Joint EC session. Key issues included the APS role in that process. In particular, Ms. Chezar suggested the results of the Joint EC session be sent to the APS for further review as to potential overlap with the wholesale quadrants. Further, she noted the APS is charged with reporting the potential overlap of 2003 Annual Plan items. Ms. Chezar expressed concern for the resource constraints of the organization.

Mr. Buccigross reminded participants the charge of the APS was to highlight cross-quadrant issues for the Executive Committees. However, Mr. Buccigross said moving forward the coordination would be prospective, so that cross-quadrant issues could be defined during annual plan development, prior to Board approval. Mr. Buccigross noted coordination across quadrants is a new process. Ms. Chezar concurred the goal was developing a procedure for



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future annual plan coordination. Ms. Chezar said her comments were focused towards the process for next year.

Meeting participants discussed each item of the 2003 RGQ Annual Plan and 2003 REQ Annual Plan to identify common items. During discussion, participants noted items common to each annual plan, as well as items on one annual plan that were absent from the other annual plan but could be issues. For efficiency, all items were discussed prior to the development of a motion requesting addition to the list of cross-quadrant issues to be presented to the Executive Committees.

During discussion some concern was expressed that each of the quadrants had developed their individual annual plans, and in some cases intentionally left line items out. For several of those items, the delineated tasks from one quadrant will be performed as part of the comprehensive work plan of the other. Additionally, there was some stated concern that the delineated item of standards inventory on the 2003 RGQ Annual Plan would be completed before other standards development work would be begun. Mr. Novak assured meeting participants that was not the intent of the RGQ. EDM was discussed again. At the conclusion of discussion, it was decided there was no immediate need to modify the motion to add EDM to the list of cross-quadrant issues to be presented at the Executive Committee meeting, as adopted in the February 3 meeting.

Mr. Novak moved, seconded by Mr. Jansen, to add the following items from the RGQ and REQ annual plans to the list of items for joint Retail Gas-Retail Electric Quadrant activity, with the detail and degree of coordination to be worked out over the next 18 months: Billing & Payments; Creditworthiness Standards; Customer Enrollment & Switching; Supplier Licensing; Retail; Customer Information; Customer Inquiries; Market Participant Interactions; Electronic Delivery Mechanisms; and Inventory Existing Natural Gas Practices within states. Mr. Novak's motion passed without objection.

Mr. Moran moved, seconded by Ms. Rehman, to add the following item from the REQ annual plan to the list of items for joint Wholesale Electric-Retail Electric Quadrant activity, with the detail and degree of coordination to be worked out over the next 18 months: Settlement Process. Mr. Moran's motion passed without objection.

3. Schedule future meetings

February 28, 2003 from 9:30 a.m. to 11:30 a.m. CST; topic: cross-quadrant glossary, WEQ electricity trading day, and creditworthiness.

4. Other Business

No additional business was discussed.

5. Adjourn

Mr. Zavodnick adjourned the call at 11:30 a.m. CST.



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6. Meeting Attendees:

Name	Company	Notes**
Barbara Alexander	State of Maine Public Advocate	REQ
Mariam Arnaout	AGA	U
Jim Buccigross	Group 8760	APS Chair, WGQ
Dolores Chezar	KeySpan Energy	WGQ Co-chair
Randy Corbin	Ohio Consumers' Counsel	U
Ed Davis	Entergy	WEQ Co-chair
Theresa Hess	Reliant Energy Retail Services	REQ Co-chair
Gary Jackson	Tennessee Valley Authority	WEQ
Joe Jansen	Public Service Electric & Gas Co.	RGQ
Annunciata Marino	PA Public Utility Commission	U
Terry Moran	PSE&G	REQ
Les Nishida	Wisconsin Public Service Corp.	RGQ
Mike Novak	National Fuel Distribution Corporation	RGQ
Todd Oncken	NAESB	Administrative
Barbara Rehman	Bonneville Power Administration	WEQ
Tom Ringenbach	American Electric Power	WEQ
Keith Sappenfield	EnCana Corporation	U
Alexander Sarafin	NiSource	RGQ
Joe Stengel	PSE&G	RGQ
Julie Voeck	American Transmission Company	U
Randy Young	Gulf South Pipeline	WGQ
Steve Zavodnick	Baltimore Gas & Electric	RGQ Co-chair

**** Please note that unless specified by the individual in the meeting, some of the participants' companies are members in several quadrants. Some assumptions were made in the assignment by the NAESB office in preparation of these minutes, but it is preferable the participants self declare during the meeting should such declaration be needed - the designations shown above are questionable. Non-members should also self declare quadrant. Those parties marked with a U did not declare quadrant affiliation during the meeting.**

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, WGQ, REQ, RGQ Meeting Materials
February 18-20, 2003

WEQ

Drafting Collaborative Quadrant Procedures
Revised Document as of 2-14-03

1 Definitions

1.1 Definitions Included In NAESB Bylaws

All capitalized terms, if not defined in Section 1.2, shall have the same definitions as specified in the Bylaws or Certificate of Incorporation (Certificate) of NAESB.

1.2 Definitions for the Purposes of this Exhibit

- A** "Entity" - an individual, partnership, firm, corporation or organization who is a Member of the WEQ.
- B** "IOU" - an investor owned entity with substantial business interest in owning and/or operating any two of the following three asset categories --- generation, transmission, distribution.
- C** "Segment Membership" - the Segment Members collectively.
- D** "Segment Procedures" - the procedures that may be attached to this document as exhibits for each of the Segments, as amended.
- E** "Services" - providers of services to participants in the wholesale electric industry, which would include, but not be limited to, software providers, consultants and other Entities not otherwise considered to be a Transmission, Generation, Marketer/Broker, Distribution/Load-Serving Entity or End-User.
- F** "Sub-Segment" - the allocation of Board and EC seats as shown on Attachment A.
- G** "Sub-Segment Principles" - the principles described in Section 2.4 of these Procedures.
- H** "Sunrise" - Sub-Segments may be revisited at any time, but no later than three (3) years from WEQ formation approval by the NAESB Board. .
- I** "WEQ" - the Wholesale Electric Quadrant.
- J** "WEQ Designated Alternates" - the group of WEQ Memberships selected by each WEQ Membership Segment's Sub-Segment to serve in the stead of WEQ EC Members who are unable to attend EC meetings.
- K** "WEQ EC" - the Executive Committee of the WEQ.
- L** "WEQ Membership" - the Voting Members of the WEQ collectively.
- M** "WEQ Segment" - one of five (5) equal Membership Segments of the NAESB WEQ, representing the following **functions** that exist in the operation of the wholesale electric industry: **Transmission; Generation; Marketers/Brokers; Distribution/Load Serving Entities; End User.**

2 Purpose, Scope, Activities and Policies

2.1 Purpose, Scope and Activities

A Purpose

The purpose of the WEQ of NAESB is to propose, evaluate and adopt voluntary Standards that apply to business practice Standards, Model Business Practices and communication protocols including, but not limited to, electronic data interchange ("EDI") record formats. All Standards shall be designed to promote more competitive, efficient and reliable wholesale electric service.

B Scope and Activities

The WEQ is concerned with activities necessary or desirable to achieve the objectives and purposes of the commercial aspects of the wholesale electric industry, and are appropriate to the operation of the wholesale electric market.

The WEQ will work closely with other NAESB Quadrants to strive for consistency where proposed business practice Standards, Model Business Practices and communication protocols affect those other Quadrants.

2.2 Policies

The WEQ shall comply with the policies and procedures specified in the Bylaws and Certificate of NAESB.

2.3 Segment Organization and Description

The WEQ shall be composed of five Segments: (1) Transmission, (2) Generation, (3) Marketers/Brokers, (4) Distribution/Load Serving Entities and (5) End Users. Each prospective Member of the WEQ shall declare the Segment(s), and if applicable, the Sub-Segment, with which they have a legitimate business interest and are to be identified.

A Transmission

Any Entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.

B Generation

Any Entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.

C Marketers/Brokers

Any Entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

D Distribution/Load-Serving Entities

Any Entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any Entity designated to represent a distribution utility.

E End Users

Any Entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any Entity designated to represent an end user.

2.4 Sub-Segment Principles

The WEQ shall use the following principles to develop Sub-Segments for each Segment. These principles shall continue to be used for future Sub-Segment development. Sunrise rules will apply to the Sub-Segments. Changes to Sub-Segments require a 75% affirmative vote of the WEQ Membership from that Segment of which that Sub-Segment is a part and a 67% affirmative vote of the WEQ Membership as a whole. In both cases, the percentages are calculated based on those members who return ballots. Appeals of the changes to Sub-Segments should be addressed by the aggrieved Sub-Segment to the NAESB Office. The appeals will be considered by the NAESB Board of Directors members who represent the WEQ, and will be resolved through a 75% affirmative vote of the NAESB Board of Directors members representing the WEQ, and a minimum 40% affirmative vote of each of the NAESB Board of Directors members representing the WEQ for each of the WEQ Segments. As noted earlier, the percentages are calculated based on those members who vote.

The Segment organization will operate under the following Sub-Segment Principles:

A No single business interest can by itself pass a Standard.

B All appropriate interests are represented.

C No Sub-Segment may alone block action.

2.5 Sub-Segment Organization

See Attachment A. Attachment A "Procedural Elements" are not intended to conflict with the WEQ Quadrant Procedures. As of January 2003, the Sub-Segments and seats held on the Board of Directors and Executive Committee per Segment are:

Transmission: Sub-segments:	Muni/Coop	Number of Seats:	1
	Fed/State/Provincial		1
	IOU		2
	ITC		2
Generation:	Muni/Coop		1

	Fed/State/Provincial	1
	IOU	2
	Merchant	2
Marketers/Brokers:	Muni/Coop	1
	Fed/State/Provincial	1
	Non- IOU Affiliated	2
	IOU Affiliated	2
Distribution/Load Serving Entities:	Muni/Coop	2
	IOU	2
	Competitive Retailer	1
	<i>(not available to muni/coop, IOU or IOU affiliates)</i>	
	Other	1
	<i>(not available to muni/coop, IOU or IOU affiliates)</i>	
End Users:	End Use <i>(also in another segment)</i>	1
	Regulator	1
	Residential/Commercial	1
	Large Industrial (not in other segments)	2
	End Use (Self Generation)	1

3 Reserved

4 Reserved

5 Members

5.1 Voting Members

A Membership

Membership and voting rights in the WEQ shall be open to any person or legal Entity that:

- 1** Has an active, significant business interest in the wholesale electric market or is the representative or Agent of such a person or Entity, and
- 2** Is current in payment of its membership dues.

B Multiple Memberships Per Quadrant

Memberships in multiple Segments of the WEQ are permissible for any Entity, provided each membership is filed and declared with NAESB, the Entity meets the membership requirements of each Segment joined, membership dues are paid for each Segment and different company personnel are used for each Segment's activities.

C Segment and Sub-Segment Qualification

Upon joining the NAESB WEQ, the Voting Member must identify a Segment and within that Segment, only one Sub-Segment, in accordance with Section 2.3 and the Sub-Segment allocation shown in Attachment A, that it feels most closely aligns with its business interest.

If membership in the Segment is challenged, participation by this Voting Member can be barred by a 67% affirmative vote of that Segment. If a Voting Member is disallowed, the Voting Member has 60 days to appeal the decision to the Board of Directors, and upon receipt of the appeal, the Board of Directors will take action within 60 days. If the Voting Member does not appeal the disallowal or if the Board of Directors upholds the disallowal action in the case of an appeal, reselection of Segment and Sub-Segment will be required. In the case of an appeal, the Voting Member will remain a Voting Member in the Segment and Sub-Segment pending the resolution of the appeal by the Board of Directors.

If membership in the Sub-Segment is challenged, participation by this Voting Member can be barred by a 67% affirmative vote of that Sub-Segment. If a Voting Member is disallowed, the Voting Member has 60 days to appeal the decision to the Board of

Directors, and upon receipt of the appeal, the Board of Directors will take action within 60 days. If the Voting Member does not appeal the disallowal or if the Board of Directors upholds the disallowal action in the case of an appeal, reselection of Segment and Sub-Segment will be required. In the case of an appeal, the Voting Member will remain a Voting Member in the Segment and Sub-Segment pending the resolution of the appeal by the Board of Directors.

D Multiple Corporate Memberships

An Entity may join and vote in all Segments for which it is qualified and for which its membership dues are current. Multiple companies under common control within a corporate organization that desire to become Voting Members must join individually. Members cannot extend their WEQ Membership to their parent company, affiliates, or subsidiaries.

E Service Entities

Service Entities will be viewed as having a legitimate business interest in any Segment and Sub-Segment to which they directly provide service by contracting primarily with Entities that would qualify for Segment and Sub-Segment Membership

6 Meetings of the Members

All meetings held in association with the NAESB organization, or the WEQ, are open to any interested Entity and will be held in accordance with the NAESB Operating Procedures. From time to time, there may be joint meetings of the WEQ with other Quadrants within NAESB, and Segments may meet jointly to transact Quadrant business. Only the EC, Board and the WEQ Membership ratification processes are limited to Voting Members.

7 Board

7.1 Board Representation

The membership of each WEQ Sub-Segment shall elect representatives to the Board from its Sub-Segment in accordance with the NAESB Bylaws, Certificate, and these WEQ Procedures.

7.2 Qualifications of Board Members

A Eligibility

To be eligible to serve as a NAESB Board Member from the WEQ, a nominee must:

- 1** Have a working knowledge of the NAESB process,
- 2** Be willing to commit the time and resources necessary,
- 3** Have the authority to fulfill the obligations as a Board representative,
- 4** Be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 9.7(f), and any other applicable provisions, as set forth in the NAESB Bylaws and
- 5** Be a Voting Member or a partner, an officer, an employee or an agent of a Voting Member of the WEQ.

B One Member, One Seat Per Segment

No two Board Members from the same or affiliated companies can be elected to the Board from the same Segment.

C One Office Per Member Representative

No Board Member elected from the WEQ may hold both a Board seat and an EC seat concurrently in the WEQ or any other NAESB Quadrant. If a WEQ EC Member is elected as a Board Member from the WEQ, the WEQ EC seat is vacated immediately upon the EC Member's assumption of the Board position.

7.3 Number and Election of Board Members

A Number of Board Members

The WEQ shall elect thirty (30) Board Members. Each Segment of the WEQ will elect six (6) Board Members, in accordance with the Sub-Segment allocation shown in Attachment

A of the WEQ Procedures. Vacant seats are subject to Section 7.5 C of these WEQ Procedures.

B Election of Board Members

Nominations for and election of Board Members will be in accordance with the Sub-Segment allocations shown in Attachment A. Only Voting Members of the particular Sub-Segment for which the Board seat is being sought are allowed to vote in this process.

C Board Election Procedures

In preparation for any election of Board Members, other than initial Board Members:

- 1** Nominations may be made at or prior to the close of the WEQ nomination period by any appropriate Sub-Segment Member by submitting the candidate names to the NAESB Office in accordance with the NAESB Operating Procedures.
- 2** All Board nominees shall meet the personal and membership eligibility requirements set out in these WEQ Procedures. NAESB shall confirm that a nominee meets the Board eligibility requirements.
- 3** All eligible nominees shall state in writing their willingness to accept the responsibility of serving as a Board Member, prior to the submission of their names to the Sub-Segment WEQ Membership at the election.
- 4** The WEQ Board nomination period shall end two weeks prior to the commencement of the election period. This deadline may be extended. All nominations will be in writing or by electronic communications.
- 5** Any WEQ Sub-Segment Voting Member who is current in the payment of its membership dues is eligible to one vote per open Sub-Segment seat. The ballot shall contain the names of all eligible nominees.
- 6** The candidates receiving the greatest number of votes shall be elected.
- 7** In the event of a tie, a runoff election will be held to resolve the tie. In the event of another tie, the candidate chosen by lot will be announced as the newly elected Board member. The NAESB Office will conduct the lottery required to resolve the tie.

D Timing of Elections

The election of Board Members shall occur concurrently for all Segments of the WEQ.

7.4 Term of Office

A Terms

Initially, Board Members shall be elected for two-year terms, with half of the terms expiring in alternating years. All subsequent elections for other than filling vacancies during a term, are for two year terms.

B Limit on Number of Terms of Office

Board Members from the WEQ may run for re-election without restriction on the number of terms held.

C Change of Affiliation

In the event that a WEQ Board Member changes member or company affiliation, the Board seat will become vacant and open for re-election as prescribed in Section 7.5 of these WEQ Procedures.

7.5 Vacancies

- A** A person shall cease to be a member of the Board upon (1) the Board Member's resignation, removal, or death; (2) term expiration; or (3) the resignation or lapse, through a delinquency in payment of the membership dues, of the Segment Membership of the Entity that the Board Member represents. A vacancy shall be filled for the remainder of that term in accordance with Section 7.5 B & C of these WEQ Procedures.
- B** In the event that a Board Member resigns or otherwise vacates a seat, and less than 90 days remain in the term of office, the Board seat will remain vacant until the next election period.

- C** If any seat on the Board becomes vacant and more than 90 days remain in the term of that seat, the respective Sub-Segment will conduct nominations and elections to fill that seat.
- 1.** If the seat is vacant after ninety (90) days, that seat will be designated an "At Large" seat and the Segment will hold elections to fill that seat conforming to the Sub-Segment Principles.
 - 2.** If the seat is vacant after 180 days, the voting rights of that "At Large" seat will be suspended and the Segment will be expected to re-organize with new Sub-Segments consistent with the six (6) Board seats, six (6) EC seats, and Sub-Segment Principles. The new sub-segmentation will become effective on approval by 75% of the Segment and then 67% of the WEQ Membership. The percentage will be based on those members voting. The Segment will then conduct elections for its Board and EC members with the rights of the Board Members effective under the new Sub-Segment designations.
 - 3.** If, after 270 days of the original vacancy, the Segment is unable to develop new Sub-Segments, an affirmative vote of 67% of the WEQ Membership is needed within the next ninety (90) days to develop and approve the new Sub-Segments for the Segment consistent with the Sub-Segment Principles. New Segment elections will be conducted as outlined above.
 - 4.** At any time during the vacancy of the seat, the Sub-Segment in question elects a Board member to fill the vacancy, no further Sub-Segment actions are necessary.

7.6 Reserved

7.7 Resignation of Members of the Board

A Member of the Board may resign his or her position by submitting a letter to the Secretary of NAESB with a copy to the Board Chair stating that he or she is resigning and giving the effective date of the resignation.

8 Election of WEQ Board Vice Chair

8.1 Eligibility

Any Board member who is a member of the WEQ may be nominated for the WEQ Board Vice Chair position.

8.2 Election Process

After a two week process where Board members can nominate, (including self-nomination), the NAESB office will run an election for the office of the WEQ Board Vice Chair and the candidate receiving the most votes from among the WEQ Board members will be announced as the WEQ Board Vice Chair. The WEQ Board Vice Chair may run for re-election at the conclusion of his/her term.

8.3 Term

The WEQ Board Vice Chair will remain in office until the earlier of: the conclusion of the two year term, or he/she no longer holds a Board seat.

9 Reserved.

10 Executive Committee

10.1 EC Representation

The membership of each WEQ Sub-Segment shall elect representatives to the EC from its Sub-Segment in accordance with the NAESB Bylaws, Certificate, and these WEQ Procedures.

10.2 Qualifications of EC Members

A Eligibility

To be eligible to serve as a NAESB EC Member from the WEQ, a nominee must:

- 1** Have a working knowledge of the NAESB process

- 2 Be willing to commit the time and resources necessary,
- 3 Have the authority to fulfill the obligations as an EC representative,
- 4 Be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 10.4(j), and any other applicable provisions, as set forth in the NAESB Bylaws and
- 5 Be a Voting Member, or a partner, an officer, employee or an agent of a Voting Member of the WEQ.

B One Member, One Seat Per Segment

No two EC Members from the same or affiliated Entities can be elected to the EC from the same Segment.

C One Office Per Member Representative

No EC Member elected from the WEQ may hold both a Board seat and an EC seat concurrently in the WEQ or any other NAESB Quadrant. If a WEQ EC Member is elected as a Board Member from the WEQ, the WEQ EC seat is vacated immediately upon the EC Member's assumption of the Board position.

10.3 Number and Election of EC Members

A Number of EC Members

The WEQ shall elect thirty (30) EC Members. Each Segment of the WEQ will elect six (6) EC Members, in accordance to the Sub-Segment allocation shown in Attachment A of the WEQ Procedures. Vacant seats are subject to Section 10.5 C of these WEQ Procedures.

B Election of EC Members

Nominations for and election of all EC Members will be in accordance with the Sub-Segment allocation shown in Attachment A. Only Voting Members of the particular Sub-Segment for which the EC seat is being sought are allowed to vote in this process.

C Election Procedures

In preparation for any election of EC Members:

- 1 Nominations may be made at or prior to the close of the WEQ nomination period by any appropriate Sub-Segment Member by submitting the candidate names to the NAESB Office in accordance with the NAESB Operating Procedures
- 2 All EC nominees shall meet the personal and membership eligibility requirements set out in these WEQ Procedures. NAESB shall confirm that a nominee meets the EC eligibility requirements
- 3 All eligible nominees shall state in writing their willingness to accept the responsibility of serving as an EC Member, prior to the submission of their names to the Sub-Segment WEQ Membership at the election.
- 4 The WEQ EC nomination period shall end two weeks prior to the commencement of the election period. This deadline may be extended. All nominations shall be in writing or electronically communicated.
- 5 Any WEQ Sub-Segment Voting Member who is current in the payment of its membership dues is eligible to vote per open Sub-Segment seat. The ballot shall contain the names of all eligible nominees.
- 6 The candidates receiving the greatest number of votes shall be elected.
- 7 In the event of a tie, a runoff election will be held to resolve the tie. In the event of another tie, the candidate chosen by lot will be announced as the newly elected EC member. The NAESB Office will conduct the lottery required to resolve the tie.

D Timing of Elections

The election of EC Members shall occur concurrently for all Segments of the WEQ.

E Officers of the WEQ EC

The WEQ EC shall elect a vice chair of the EC, and may elect a second vice chair who shall serve for a period of one (1) calendar year. The Vice Chair, and in his or her absence the Second Vice Chair, shall preside over the meetings of the WEQ EC.

1 Eligibility

Any EC member who is a member of the WEQ quadrant may be nominated for the WEQ EC Vice Chair position or Second Vice Chair position. It is encouraged but not required that the WEQ EC Vice Chair position and Second Vice Chair represent different segments of the WEQ.

2 Election Process

After a two week nomination process where WEQ EC members can nominate including self-nomination, the NAESB office will run an election and the candidates receiving the most votes from among the WEQ EC members will be announced as the officers of the WEQ EC..

10.4 Term of Office

A Terms

Initially, EC Members shall be elected for two-year terms, with half of the terms expiring in alternating years. All subsequent elections for other than filling vacancies during a term, are for two years.

B Limit on Number of Terms of Office

EC Members from the WEQ may run for re-election without restriction on the number of terms held, provided that the position of the EC Vice Chair and Second Vice Chair shall have a term limit of one year each.

C Change of Affiliation

In the event that the EC Member changes member or company affiliation, the EC seat will become vacant and open for re-election as prescribed Section 10.5 of these WEQ Procedures.

10.5 Vacancies

A A person shall cease to be a member of the EC upon (1) the EC Member's resignation, removal, or death; (2) term expiration; or (3) the resignation or lapse, through a delinquency in payment of the membership dues, of the Segment Membership of the Entity that the EC Member represents. A vacancy shall be filled for the remainder of that term in accordance with Sections 10.5B & C of these WEQ Procedures.

B In the event that an EC Member resigns or otherwise vacates a seat with less than 90 days remaining in the term of office, the EC seat will remain vacant until the next election period and the respective Sub-Segments Designated Alternate will serve until a new EC Member is elected.

C If any seat on the EC becomes vacant and more than 90 days remain in the term of that seat, the respective Sub-Segment will conduct nominations and elections to fill that seat.

1. If, after ninety (90) days the seat is still vacant, that seat will be designated an "At Large" seat and the Segment will hold elections to fill that seat conforming to the Sub-Segment Principles.

2. If, after 180 days of the vacancy, that seat is still vacant, the voting rights of the "At Large" seat will be suspended and the Segment will be expected to re-organize with new Sub-Segments consistent with the six (6) EC seats, six (6) Board seats, and Sub-Segment Principles. The new sub-segmentation will become effective on approval by 75% of the Segment and then 67% of the WEQ Membership. The percentage will be based on those members voting. The Segment will then conduct elections for its Board and EC members with the rights of the Board Members and EC Members effective under the new Sub-Segment designations.

3. If, after 270 days of the original vacancy, the Segment is unable to develop new Sub-Segments, an affirmative vote of 67% of the WEQ Membership is needed within the

next 90 days to develop and approve the new Sub-Segments for the Segment consistent with the Sub-Segment Principles.

4. At any time during the vacancy of the seat, the Sub-Segment in question elects a Board member to fill the vacancy, no further Sub-Segment actions are necessary.

10.6 Reserved

10.7 Resignation of Members of the EC

A Member of the WEQ EC may resign his or her position by submitting a letter to the Secretary of NAESB with a copy to the WEQ EC Vice-chair stating that he or she is resigning and giving the effective date of the resignation.

10.8 Designated Alternates

Each Segment's Sub-Segment of the WEQ may develop and approve a list of individuals to serve as Designated Alternates and will give such list to the NAESB office in accordance with the NAESB Bylaws.

A Authority

Persons presenting themselves at an EC meeting as Designated Alternates will be accepted as a participant provided that:

- 1 No two EC Members and Designated Alternates from the same Voting Member can represent a Segment at an EC meeting.
- 2 He or she has been designated to attend by an absent EC Member from his/her Segment's Sub-Segment.
- 3 The WEQ EC Member from that Segment either indicates to the NAESB Office, EC Chair or Vice Chair that the EC Member will be absent, or is in fact absent and remains absent, and
- 4 The name of the Designated Alternate is on a list of approved Designated Alternates selected by the appropriate Sub-Segment Membership according to these WEQ Procedures, and is on file with the NAESB Office.

B Election of Designated Alternates

Each Sub-Segment may select Designated Alternates. In selecting Designated Alternate, the items below should be followed:

- 1 EC representative of Sub-Segment submits the list to NAESB office.
- 2 Alternates are members or agents of members of NAESB in good standing.
- 3 Alternates may not be presiding EC representatives (in any Segment or Sub-Segment) in the WEQ.
- 4 The Sub-Segment may provide a list that is considered approved if no objection from the Sub-Segment is raised. If objection is raised and not accommodated by the EC member providing the list, a vote of the Sub-Segment members is taken to approve the list with a ~~simple majority~~ 67% affirmative vote of those Sub-Segment members required for approval.
- 5 Alternates List may be revised.

10.9 EC Meetings

A WEQ EC Meetings

- 1 WEQ EC meetings shall be held at times and locations determined by the EC Vice Chair or Second Vice Chair of the WEQ EC. The capability to participate by telephone is required for all WEQ EC meetings.
- 2 The NAESB Office shall record the minutes of EC meetings.

B Notices

The NAESB Office shall post advance meeting notices and agendas on the NAESB website and transmit same in writing, by facsimile, e-mail, or other electronic means to all WEQ EC Members. Unless under extreme circumstances, meeting notices shall provide at least 10 days notice of the meeting.

C Voting

- 1 The WEQ EC shall practice Balanced Voting and record voting results.
- 2 Each WEQ EC Member may participate and vote in EC meetings by notational ballot. Every notational ballot shall be executed in writing by the WEQ EC Member or by his or her duly authorized attorney in fact and filed with the Secretary of NAESB. The notational ballot may be mailed, sent via facsimile or sent via electronic mail to the NAESB Office.
- 3 Notational voting shall be permitted in accordance with the NAESB Bylaws, Section 10.4 (k)(i-iii).

D Joint EC Meetings

In the event that the EC of the WEQ meets jointly with an EC of another NAESB Quadrant, the choice of Quadrant EC Vice Chair presiding over the joint meeting will be determined by the precedence established in the order of rotation of EC Vice Chairs as specified in the NAESB Bylaws.

10.10 EC Subcommittees & Task Forces

A Establishing Subcommittees & Task Forces

The EC of the WEQ shall set up its own subcommittees and task forces to deal with WEQ-specific issues for standards development as described in the WEQ Annual Plan. The WEQ EC chair may assign or solicit volunteers from the EC to co-chair the subcommittee or task force. The subcommittees and task forces will proceed in accordance with the relevant NAESB Operating Practices.

B Meeting Minutes

In the event that an individual from the NAESB Office is unavailable to take minutes, the Chair of any subcommittee / task force meeting will designate an individual to take minutes and forward them to the NAESB Office.

C Reporting

Each WEQ EC subcommittee or task force will report to the EC at no less than quarterly intervals, on a schedule to be defined by the EC for as long as the subcommittee or task force continues to exist.

11 Reserved

12 Reserved

13 Reserved

14 Reserved

15 Reserved

16 Reserved

17 Reserved

18 Amendments

18.1 Any interested party may request a change to the WEQ Procedures by forwarding a request in writing to the NAESB Office.

18.2 The WEQ Procedures Drafting Collaborative Task Force is charged with drafting amendments to the quadrant procedures. The changes will be reviewed by NAESB Counsel to ensure that the amendments are not inconsistent with the organization's certificate and bylaws. After such assessment, the procedures will be reviewed for adoption by the WEQ membership. The

NAESB Office will forward proposed amendments with a notational ballot to all WEQ Board members. The notational balloting period shall be 30 days. For the amendments to be adopted, 75% affirmative vote of the WEQ Board members with a minimum of 40% affirmative vote from each segment will be required. After the WEQ Board vote is taken and passes, the amendments must also be ratified by WEQ membership. For the amendments to be ratified, a minimum of 75% of the WEQ members returning ballots should vote affirmatively. Members not returning ballots will be considered voting in favor of adoption of the amendments.ⁱ

- 18.3** The foregoing notwithstanding, any actions taken under Section(s) 2.4, 7.5, or 10.5c of the WEQ Procedures shall be approved only in accordance with the provisions set forth in those Section(s); once so approved, such actions shall not be subject to, or require, any other or additional consideration under Section 18 of the WEQ Procedures. Any changes to the WEQ Procedures that reflect Sub-Segment changes, and are a result of actions taken pursuant to sections 2.4, 7.5 or 10.5C are considered approved without processing through section 18.ⁱⁱ

19 Reserved

ⁱ Section 10.8.B.4 - Barry Lawson

My recollection is that we decided a 67% affirmative vote of the subsegment members was required if a designated alternate list was objected to. I do not recall a decision of 50% on that item. The 67% vote requirement should be reinstated until the Collaborative discusses and makes a decision on the 50% figure.

ⁱⁱ Section 18.2 - Barry Lawson

I remember specifically that the group did not agree with the idea that members not returning ballots would be considered voting in favor of adoption of WEQ Procedure amendments. This sentence at the end of this section should be removed since it was not agreed to.

Tom McGrath:

Paragraph 18.2 is inconsistent with my notes from the meeting. Specifically: - WEQ board member vote was to be based on only those who vote. This would be consistent with 2.4 - After board approval, a procedure change would be ratified by the WEQ membership (75% of those voting).

ⁱⁱⁱ Section 18.3 -- Joe Rossignoli:

Replace 18.3 with the following to avoid any ambiguity:

"The foregoing notwithstanding, any actions taken under Section(s) 2.4, 7.5, or 10.5c of the WEQ Procedures shall be approved only in accordance with the provisions set forth in those Section(s); once so approved, such actions shall not be subject to, or require, any other or additional consideration under Section 18 of the WEQ Procedures."

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, WGQ, REQ, RGQ Meeting Materials
February 18-20, 2003

WEQ

***Notes and Draft MOU from the NERC-NAESB-ISO/RTO Council
Negotiating Group***



North American Energy Standards Board

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Home Page: www.naesb.org

February 13, 2003

TO: **NAESB/NERC/ISO-RTO Group Members: (NAESB)** Bill Boswell - Dominion, Michael Desselle - AEP, Scott Brown - Exelon, Rick Lentz - Tatum CIO, Rae McQuade - NAESB, Jim Buccigross - 8760, Steve Corneli - NRG Energy; **(NERC)** Glenn Ross - Dominion, Michehl Gent - NERC, David Cook - NERC, Tim Gallagher - NERC, **(ISO/RTO Group)** Gordon van Welie - NE ISO, Karl Tammar - NY ISO, William Museler - NY ISO, John Marschewski - SPP

FROM: Rae McQuade, NAESB Executive Director

RE: **February 12 Meeting Notes**

NAESB, NERC and RTOs/ISOs Negotiating Group Meeting Notes

February 12, 2003 - 10:00 a.m. to 2:00 p.m.

1. Welcome and Introductions

Bill Boswell and Bill Museler welcomed the team to its fifth meeting. The group agreed that the agenda for the meeting would be to review and suggest changes to a draft Memorandum of Understanding (MOU) that could be signed by the ISO Council, NAESB and NERC.

2. Review of the MOU

Mr. Museler noted that the ISO/RTO Council has been formed and all ISOs with established leadership joined (NYISO, NE ISO, IMO, CAISO, MISO, SPP, Alberta, PJM, and ERCOT). Mr. Museler is the Secretary for the council.

There was a discussion on how the NERC-NAESB-ISO MOU would be represented - as a replacement for the existing NERC-NAESB MOU or as an addendum to or extension of the NERC-NAESB MOU. To avoid any potential ambiguity, the NERC-NAESB-ISO MOU will be considered a "Revised and Amended" MOU, so there will only be one document and one MOU, rather than two. As such, Mr. Desselle noted that the drafting team would revise the MOU to remove references to the NERC-NAESB-ISO MOU.

The group accepted the drafting team's recommendation that based on organizational efficiency both phases be accomplished within an expanded JIC with one set of members, rather than one group to address phase 1 and another to address phase 2. In discussion, it was affirmed that the three parties (NERC, NAESB, and the ISO/RTO Council) would vote on the phase 1 effort (is the activity a policy determination or standards development?), and the phase 2 effort (does the standards development effort belong more appropriately with NERC or with NAESB?). The MOU was characterized as building on and strengthening the NERC-NAESB MOU, adding a stakeholder group (the ISO/RTO Council), formalizing the annual plan review and having a policy check step prior to determining where the standards development should occur. The changes were each reviewed and Mr. Desselle noted that he would modify the MOU as noted in the meeting.

The timeline was also reviewed. The draft should be available on Friday for each of the parties to release for their members' comments. A review of the MOU and comments received will be the focus of the February 26 meeting, with the goal of the NAESB Board approval in March.



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The role of the Electronic Scheduling Collaborative and the OASIS Scheduling Collaborative was reviewed and all agreed that the groups' functions would be addressed in NERC, NAESB or the ISO Council by the procedures described in the MOU depending on the characteristics of the activity. A whereas clause will be added to the MOU to reflect such. The role of the RROs was discussed, but it was determined not to address such in the MOU.

3. Conclusions and Next Steps

The drafting committee composed of Michael Desselle and Steve Corneli from NAESB, Karl Tammar and Jim Douglas from the ISOs and Dave Cook and Glenn Ross from NERC were identified. They should have a redrafted three-way MOU for discussion distributed to the larger group for discussion on February 13. The draft should be available for general distribution and comment on February 14. The next meeting of the group is February 26 in Washington D.C. at AEP's offices, 801 Pennsylvania Avenue, from 12:30 pm to 4:30 p.m., where the focus will be the review and incorporation of comments into the draft as a final document for each organization to consider for approval.

4. Adjourn

The meeting adjourned at 4:00 p.m. eastern.

5. Attendance

NAESB Bill Boswell
Michael Desselle
Scott Brown
Rick Lentz
Rae McQuade
Steve Corneli

NERC David Cook

ISOs Gordon van Welie
Karl Tammar
William Museler

1 **Amended and Restated Memorandum of Understanding for the**
2 **North American Energy Standards Board, North American Electric Reliability Council**
3 **and the ISO/RTO Council**
4
5

6 This Memorandum of Understanding (“MOU”) is entered into this ___ day of ____,
7 2003, between the North American Energy Standards Board (“NAESB”) and the North
8 American Electric Reliability Council (“NERC”) and the Independent System Operator/Regional
9 Transmission Organization Council (“ISO/RTO Council”) (collectively, “Parties”).

10 Whereas NAESB is the primary industry forum for development and promotion of
11 business practice and electronic communication standards in North American wholesale and
12 retail natural gas and electricity markets and NAESB is willing to make its stakeholder process
13 available for the resolution of related issues;

14 Whereas NERC is the primary industry organization for developing reliability standards
15 for the reliable operation and planning of the bulk electric systems serving North America;

16 Whereas the ISO/RTO Council is an organization composed of Regional Transmission
17 Organizations (RTO) and Independent System Operators (ISO) executive officers whose primary
18 responsibility is for determining and implementing policy-related matters for regional
19 transmission tariffs and market management activities in coordination with the Federal Energy
20 Regulatory Commission (“FERC”) or other appropriate regulatory authorities in North America;

21 Whereas the Parties agree that there is a need to develop and maintain standards to
22 enhance energy markets and maintain reliability throughout North America;

23 Whereas the Federal Energy Regulatory Commission (“FERC”) has “strongly urged” the
24 Parties to coordinate their standards development efforts;

25 Whereas most electric industry standards have both business and reliability implications
26 and range along a continuum from “predominantly reliability” in nature to “predominantly
27 business” in nature;

28 Whereas the Parties agree that a coordination process should be developed between the
29 Parties to ensure that business practice and reliability standards are harmonized and distinguished
30 from regional transmission tariff policy or market management policy-making and that every
31 practicable effort is made to eliminate overlap and duplication of efforts;

32 Whereas, the FERC Commissioners and Staff have encouraged the Parties to bring the
33 functions previously addressed by the Electronic Scheduling Collaborative (ESC) and the Oasis

34 Standards Collaborative (OSC) into the functionally appropriate Party organization, and through
35 that organization into a single process for coordinating standard-setting;

36 Whereas, the Parties agree that all the current activities of the ESC and OSC should be
37 included in the single standard setting coordination process as defined in this Memorandum of
38 Understanding;

39 Whereas, the Parties agree that the coordination that takes place under this MOU should
40 not delay the development of standards or the implementation of regional transmission tariff
41 policy or market management policy;

42 Whereas, the Parties shall not be obliged to change their existing standards approval
43 processes, but the parties agree it would be beneficial to keep an open mind for future changes to
44 be considered that would improve the processes and achieve the goals contained within this
45 MOU; and,

46 Whereas, the Parties intend this MOU to be a living document and recognize that the
47 coordination procedures detailed in this MOU are likely to require revision as the Parties gain
48 experience working under these procedures,

49 Now therefore, the Parties agree as follows:

50

51 **1. Purpose and Principles of Agreement**

52 1.1 The Parties propose to establish a coordination process set forth in Section 2 of
53 this MOU. The coordination process is intended to avoid overlap and duplication of effort in the
54 activities of the three organizations by distinguishing regional transmission tariff policy and
55 market management policy-making from the setting of reliability standards and also from
56 business practice standards. The coordination process will accomplish this primarily through the
57 Joint Interface Committee (“JIC”) comprised of representative members of NERC, NAESB and
58 the ISO/RTO Council. The JIC is not intended to create delay in standards development or the
59 implementation of regional transmission tariff policy or market management policy, but to
60 facilitate efficient standards development and avoid duplication of effort between and among the
61 Parties.

62 1.2 The Parties recognize that many standards have implications that include
63 combinations of reliability, business standards and communication protocols, regional
64 transmission tariff policy and market management policy. Accordingly, the JIC will evaluate

65 each standard development proposal, as well as the annual plans¹ of each organization, in a two-
66 stage process as described in section 2.5 (with this recognition in mind) before determining
67 whether NAESB or NERC should develop the proposed standard.^{2 3}

68 1.3 The Parties intend to have the coordination process set forth in Section 2 of the
69 MOU in full operation by April 1, 2003. The Parties may mutually agree to move the start date
70 for the coordination process.

71

72 **2. Coordination Process**

73 2.1 The Parties agree to establish a coordination process, as set forth in this section,
74 for coordinating the development of proposed standards, in accordance with the principles in
75 Section 1 of this MOU.

76 2.2 The JIC shall be responsible for the coordination process. The JIC shall be
77 composed of representatives from NERC holding one third of the votes and representatives from
78 NAESB WEQ holding one third of the votes and representatives from the ISO/RTO Council
79 holding one third of the votes. Each Party will determine its representatives to the JIC, with
80 every effort to have each segment or area represented. The quorum necessary for the transaction
81 of business at meetings of the JIC shall require a majority of the NERC representatives, a
82 majority of the NAESB representatives and a majority of the ISO/RTO representatives. Any or
83 all members of the JIC may participate in a meeting, including being counted as part of the
84 quorum, by means of a communication system by which all persons participating in the meeting
85 are able to hear each other. Use of notational balloting or proxies will not be permitted. NERC,
86 NAESB and the ISO/RTO Council will separately determine whether designated alternates will
87 be permitted to participate in place of their absent JIC representatives. The JIC will have co-
88 chairs, one representing NERC, one representing NAESB, and one representing the ISO/RTO
89 Council chosen by each Party from among its JIC representatives.

¹ The JIC is not limited to new standards, or annual plan items, but can receive existing proposed standards, or annual plan items, referred to it by any Party.

² While the JIC will evaluate the disposition of standards with the recognition that most standards have both reliability and business standards and communication protocols implications, the intent of NERC and NAESB (through the JIC) is that the coordination process should work toward the development of “standards for the industry” and avoid characterizing standards, wherever possible.

³ The Parties expressly agree that standards that support regional transmission tariff policies or market management policies may be developed by NAESB and NERC, consistent with this MOU.

90 2.3 Decisions of the JIC will be by a simple majority vote, with each NERC
91 representative present at a meeting having a vote equal to 33.3% divided by the number of
92 NERC representatives participating in the meeting, each NAESB representative having a vote
93 equal to 33.3% divided by the number of NAESB representatives participating in the meeting,
94 and each ISO/RTO Council representative having a vote equal to 33.3% divided by the number
95 of ISO/RTO Council representatives participating in the meeting. Appendix B to this MOU
96 contains illustrative examples of this voting allocation. In the event of a tie vote, the matter will
97 be referred to the Chairmen of the Parties [or their Board level designee(s)] for resolution.

98 2.4 The JIC will meet as necessary to review the annual plans of each organization.
99 Additionally, the JIC will meet as necessary to review each Standards Authorization Request
100 (“SAR”) that the Standards Authorization Committee (“SAC”) of NERC has approved for the
101 drafting of a standard, each standard request that the NAESB Executive Committee (“EC”) has
102 assigned to the Wholesale Electric Quadrant (“WEQ”) of NAESB and each policy initiative
103 proposed by the ISO/RTO Council and their constituent organizations for regional transmission
104 tariff policy or market management policy⁴.

105 2.5 In the first stage of the process, the JIC will evaluate the annual plans of each
106 Party. If the JIC determines that an annual plan item would create or require substantial
107 modification to regional transmission tariff policy or market management policy, then the annual
108 plan item first should be referred to the ISO/RTO Council and their constituent organizations for
109 resolution of policy issues with the FERC or other appropriate regulatory authorities in North
110 America. Once the regional transmission tariff policy or market management policy issues have
111 been resolved, further standards development activity may be appropriate. If the JIC determines
112 that an annual plan item would not create or require substantial modification to regional
113 transmission tariff policy or market management policy, then the item would continue through
114 the standards development process. The JIC may also determine that a particular item in one
115 Party’s annual plan should be removed from that Party’s annual plan and added to another
116 Party’s annual plan in order to carry out the purposes of this agreement. Occasionally, the initial
117 review of annual plan items may not identify policy issues; therefore, in the second stage of the
118 process, the parties may evaluate again whether a standards request proposal passing the first

⁴ Such policy initiatives include any market development, modification and coordination efforts, proposals, and tariff filings that affect or may affect business practice standards and reliability standards.

119 screen would or would not primarily create or modify regional transmission tariff policy or
120 market management policy. Again, if the standards request proposal is identified by the JIC to
121 focus on the definition and setting of regional transmission tariff policy or market management
122 policy, the standards request proposal should be referred to the ISO/RTO Council and their
123 constituent organizations for resolution of policy issues with the FERC or other appropriate
124 regulatory authorities in North America, before a standard would be further considered. Once
125 such a determination has been made, then the standards request proposal would proceed for
126 standards development consistent with Appendix A.

127 2.6 Once the JIC has determined whether an annual plan item or standards request
128 proposal is 1) more appropriately a regional transmission tariff policy or market management
129 policy-setting activity to be addressed via the ISO/RTO Council and their constituent
130 organizations and FERC or other appropriate regulatory authorities in North America, or 2) that
131 the proposal is more appropriately a standards activity to be addressed by NERC or NAESB, the
132 second stage of the process will take place. In this stage the JIC will make determinations
133 regarding the appropriate organization for the development of standards request proposals,
134 NERC or NAESB, and assign such proposals for standards development consistent with such
135 determinations. In this stage, the JIC may also determine whether a specific standards request
136 proposal would primarily create or modify regional transmission tariff policy or market
137 management policy, in which case the proposal will be referred to the ISO/RTO Council and
138 their constituent organizations for resolution of policy issues with the FERC or other appropriate
139 regulatory authorities in North America. Once the JIC has assigned or referred the standards
140 request proposal for further development, the members and constituents of the other
141 organizations are strongly encouraged to actively engage in the development process by
142 participating in subcommittee, task force and working group deliberations as well as offering
143 comments and recommendations on any and all aspects of the proposed standard or policy.

144 2.7 The JIC will make such determinations by the end of the month subsequent to the
145 month in which the annual plan item, standards request proposal or proposed regional
146 transmission tariff policy or market management policy is referred to the JIC. The JIC may
147 prioritize submitted proposals if there are urgent reliability, business, or policy implications.

148 2.8 All interested individuals and entities are invited and encouraged to participate to
149 the maximum extent possible consistent with membership or registration requirements in NERC,

150 NAESB and the ISO/RTO Council standards development and policy development activity.
151 None of the organizations places any membership or registration requirement on the submission
152 of comments on draft proposed standards or policy development.

153 2.9 Either the determination of the JIC or the resolution reached in the event of a tie
154 vote will become final after thirty days unless, within that thirty-day period, one of the Parties
155 acts to withdraw a standards request proposal. In this event, the proposal may be redrafted and
156 resubmitted to the JIC or the Parties shall meet to attempt to resolve the impasse. Should further
157 consideration not result in a final determination, each of the parties may act consistent with its
158 own standards development or policy definition process. Likewise for annual plan items, a
159 determination of the JIC or the resolution reached in the event of a tie vote will become final
160 after thirty days unless, within that thirty-day period, one of the Parties disagrees with the
161 determination. In this event, the annual plan item may be redrafted and resubmitted to the JIC or
162 the Parties shall meet to attempt to further resolve the issue. Should further consideration not
163 result in a final determination, each of the parties may act consistent with its own standards
164 development or policy definition process.

165

166 **3. Filings With Governmental Authorities**

167 3.1 Each Party shall be responsible for making filings with governmental authorities
168 of the standards or requests for policy determinations that it develops, as appropriate.

169 3.2 All filings must include, verbatim, any comments submitted by the Party that did
170 not develop the standard, as well as the comments of other interested parties.

171

172 **4. Information Exchange**

173 4.1 Each party will inform each other party each year of its projected standards
174 development and regional transmission tariff policy activity and market management policy
175 activity for the coming year and of any additional planned activity as it arises. After exchange of
176 this information, the JIC will meet to address any apparent areas of duplicate or inconsistent
177 effort as soon as practical.

178 4.2 With respect to each particular initiative regarding a regional transmission tariff
179 policy activity or market management policy activity, or request for a standard or standard
180 development action, each Party will promptly inform the other Parties of the action, or the

181 request in sufficient detail to convey the subject matter and timeline for resolution of such action
182 or request. .

183

184 **5. Costs**

185 5.1 Each Party shall bear its own costs.

186

187 **6. Reevaluation**

188 6.1 The Parties agree to meet annually during the anniversary month of the signing of
189 this MOU to evaluate in good faith the effectiveness and efficiency of this MOU in meeting the
190 goal of coordinating the standards development related activities of the three organizations and
191 to make any appropriate revisions.

192 6.2 The Parties may also agree to revise this MOU, including the appendices, at any
193 other time as mutually agreeable.

194

195 **7. Termination**

196 7.1 Each Party may withdraw from this MOU upon 60 days' written notice to the
197 other Parties and to the FERC or other appropriate regulatory authorities in North America.
198 Prior to the withdrawal becoming effective, the Parties agree to meet to discuss whether changes
199 to this MOU would address the reasons prompting the withdrawal.

200

201 **8. Miscellaneous**

202 8.1 This MOU constitutes the entire agreement between the Parties with respect to
203 establishing a coordination process intended to avoid overlap and duplication of effort in the
204 activities of the three organizations by distinguishing regional transmission tariff policy and/or
205 market management policy-making from the setting of reliability and business practice standards
206 supporting energy markets. .

207 8.2 This MOU may be executed in counterparts each of which shall be deemed an
208 original and all of which together shall constitute one instrument.

209 8.3 None of the Parties shall be liable for any indirect, special, incidental or
210 consequential damages arising in any way from any performance or failure to perform under this
211 MOU.

212 8.4 The Parties agree that they will create a process whereby the notice of JIC
213 activities and documents are posted on a web site for public access.

214 8.5 This is an Amendment and Restatement of the Agreement dated November 30,
215 2002 between NERC and NAESB.

216

217 AGREED TO this ____th day of _____, 2003.

218

219 NORTH AMERICAN ENERGY
220 STANDARDS BOARD

NORTH AMERICAN ELECTRIC
RELIABILITY COUNCIL

221

222 By: _____

By: _____

223

224 ISO/RTO Council

225

226 By: _____

(or signatures of each of the RTOs/ISOs)

227 APPENDIX A

228 JIC Coordination Guidelines

229 The coordination guidelines for use by the JIC as a starting point, under paragraph 2.4 of
230 the NERC-NAESB MOU, are based in part upon NERC's Functional Model⁵ and in part upon
231 market criteria developed by NAESB. As the JIC convenes and as it gains more experience
232 alternative coordination guidelines may be developed and used as the JIC sees fit.

233 In general, the functions identified in the functional model diagrams as "generator"
234 (whether merchant or load-affiliated), "purchasing-selling entity," "load-serving entity," "market
235 operator," "customer aggregator," and certain of the relationships and information flows of
236 "transmission service provider," "transmission owner," and "transmission operator" are
237 associated with how wholesale electric business practices and electronic communication
238 protocols are developed for use by market participants. Additionally, market criteria such as
239 product or service definitions, specifications, and compensation; prerequisites for participation in
240 market and identification of costs and funding obligations; arrangements for product and service
241 delivery to customers; creditworthiness requirements; market-related business practices; market
242 settlement practices; and communication protocols in support of market criteria should be
243 considered. Standard development proposals applicable to those functions and to the
244 relationships and information flows among those functions normally would be assigned to
245 NAESB, regardless of where the original request for the standard was filed.

246 In general, the functions identified in the functional model diagrams as "reliability
247 authority," "balancing authority," "interchange authority," "compliance monitor," "NERC," and
248 certain of the relationships and information flows of "transmission service provider,"
249 "transmission owner," and "transmission operator" are associated with the reliable operation of
250 the bulk power system. Standard development proposals applicable to those functions and to the
251 relationships and information flows among those functions normally would be assigned to
252 NERC, regardless of where the original request for the standard was filed.

⁵ A PowerPoint display of NERC's Functional Model may be downloaded at <http://www.nerc.com/~filez/fmrtg.html>. The Functional Model identifies and defines the functions, associated responsibilities, and the relationships and information flows among those functions, that are necessary for electric systems to operate reliably and for participants in wholesale electricity markets to transact business efficiently, independent of which entities perform which functions.

253 In general, the functions identified as policy for regional transmission tariffs and market
254 management of the wholesale electricity market are associated with a general plan of action for
255 the operation of the Regional Transmission Organizations and Independent System Operators as
256 defined through the FERC or other appropriate regulatory authorities in North America. These
257 functions normally would be referred to the ISO/RTO Council,

258 Other factors that may be considered by the JIC in determining the assignment of a
259 particular standards development request to NERC or NAESB include (but are not limited to):

- 260 a. Regulatory direction to one organization or the other;
- 261 b. The priority of the proposal and the ability of either organization to take on and
262 complete the standard development in a timely manner, given its other workload; and
- 263 c. Whether the proposal includes a significant reliability compliance element.

264

265 APPENDIX B

266 JIC Voting Examples

267 (Quorum requirement: A majority of each of the representatives of NAESB, NERC and the
268 ISO/RTO Council.)

269
270 Example 1:

- 271 1. The JIC is composed of: 6 representatives from NAESB
272 9 representatives from NERC
273 3 representatives from the ISO/RTO Council
- 274 2. All JIC members are in attendance at the meeting – quorum requirement is met.
- 275 3. Each group gets one third of the vote, which means that each NAESB JIC member gets
276 5.5% of the total vote (6 representatives times 5.5% = 33.3%), and each NERC JIC
277 member gets 3.7% of the total vote (9 representatives times 3.7% = 33.3%) and each
278 ISO/RTO Council JIC member has 11.1% of the total vote (3 representatives times
279 11.1% = 33.3%). When the votes are cast on an issue, the percentages cast is totaled and
280 if the votes in favor of an issue exceed 50%, the issue is considered adopted.

281 Example 2:

- 282 1. The JIC is composed of: 6 representatives from NAESB
283 9 representatives from NERC
284 3 representatives from the ISO/RTO Council
- 285 2. 3 NAESB JIC members, 6 NERC JIC members and 2 ISO/RTO JIC members are in
286 attendance at the meeting – quorum requirement is met.
- 287 3. Each group has one third of the vote, which means that each NAESB JIC member gets
288 11.15% of the total vote (3 representatives times 11.15% = 33.3%), each NERC JIC
289 member gets 5.5% of the total vote (6 representatives times 5.5% = 33.3%) and each
290 ISO/RTO Council JIC member has 16.6% of the total vote (2 representatives times
291 16.6% = 33.3%). When the votes are cast on an issue, the percentages cast is totaled and
292 if the votes in favor of an issue exceed 50%, the issue is considered adopted.

293
294 The two examples above illustrate the importance to the organizations for the JIC members to
295 attend the JIC meetings.

NORTH AMERICAN ENERGY STANDARDS BOARD
Executive Committee Meeting - WEQ, WGQ, REQ, RGQ Meeting Materials
February 18-20, 2003

REQ

Distributor Segment Procedures

NORTH AMERICAN ENERGY STANDARDS BOARD

BYLAWS ADDENDUM

EXHIBIT 4-A

**RETAIL ELECTRIC QUADRANT
DISTRIBUTOR SEGMENT PROCEDURES**

April 8, 2002

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1.0 Definitions

- 1.1 "Secretary" means the Distributor Segment Secretary as defined in Section 8.6.
- 1.2 "Segment Member" or "Member" means an individual or entity (e.g., corporation, partnership) that satisfies the requirements for membership set forth in the NAESB Bylaws and REQ procedures, and further satisfies the qualifications for Distributor Segment Membership set forth in Section 5.1 of these procedures. If the Segment Member is not an individual, the term Segment Member or Member shall include that entity's representative (employee, officer, director, or partner) who is authorized to cast that Segment Member's vote.
- 1.3 "Segment Membership" or "Membership" means the Segment Members collectively.
- 1.4 All other capitalized terms shall have the same definitions as specified in the Bylaws of NAESB or in the Retail Electric Quadrant (REQ) procedures.

2.0 Purpose, Scope, Activities and Policies

2.1 Purpose & Scope

A Purpose

To contribute to the proposal, evaluation, and adoption of voluntary standards and model business practices as described in the REQ quadrant procedures from the perspective of the Distributor Segment Membership.

B Scope

The Distributor Segment of the REQ is to address issues and practices as described in the REQ quadrant procedures from the perspective of entities engaged in the local distribution of electricity.

Issues may also be addressed in conjunction with other Segments within the REQ and/or Retail Gas Quadrant (RGQ) when such issues are common to multiple Segments and/or both electric and gas distribution in the retail market.

Issues surrounding the interface of transmission and distribution providers, or other wholesale issues affecting electricity distributors may be addressed in conjunction with various Segments of the Wholesale Electric Quadrant, should that Quadrant exist.

2.2 Principles and Policies

A Policies

The Distributor Segment of the REQ shall comply with the policies and principles stated in the NAESB Bylaws and the REQ Procedures contained therein as an addendum.

B Meetings of the REQ Distributor Segment

1. Open Meetings

All meetings held in association with the Distributor Segment of REQ are open to any interested person, company, or organization. Only Segment Members, however, shall have a right to vote at such meetings.

2. Quorum

In order to conduct Segment business at a Segment meeting, a minimum of 33% of the Segment Membership must be in attendance. Attendance may be either in person or through interactive electronic means such as teleconferencing.

3. Meeting Minutes

Minutes of all meetings, including voting results, are to be reported by the Chair, the Vice-Chair, or the Secretary, at the Chair's discretion, to the NAESB Office for publication within 15 days of the date of the meeting.

2.3 Segment Requirements

A Segment Description

The Distributor Segment of the Retail Electric Quadrant of the North American Energy Standards Board ("NAESB") is one of four (4) co-equal Segments comprising the retail electric market. The Distributor Segment Membership is comprised of persons engaged in the local distribution of electricity.

B Representation

1. The Distributor Segment shall meet the following criteria to ensure that the broad range of Distributor interests are represented:
 - (a) A minimum of ten paid Members
 - (b) There are paid Members representing electric distributors from at least four (4) reliability regions (as defined in 2001 See Diagram 1 at end of these Procedures)

C Voting Rights

1. Only Distribution Segment Members have the right to:
 - (a) Vote in the Distributor Segment to ratify standards or model business practices adopted by the Quadrant EC. Ratification voting will be in accordance with the requirements of the NAESB Bylaws,
 - (b) Vote in the Distributor Segment to elect representatives to the Board of Directors and Executive committee. These elections shall be held in accordance with NAESB Bylaws

and REQ and Distributor Segment procedures as stated in Sections 7.3 and 10.3.

2. A Segment Member's voting rights shall be suspended for any period during which the Member is delinquent in the payment of its membership fees.

D Multiple Memberships

No person may hold more than one Membership in the Segment.

Corporate Members do not extend their Membership to their parent company, affiliates or subsidiaries. Separate corporate entities within a corporate organization may hold multiple memberships in the Distributor Segment, but each must join individually and pay a membership fee.

3.0 As described in the NAESB Bylaws or REQ Procedures attached thereto (Exhibit 4)

4.0 As described in the NAESB Bylaws or REQ Procedures attached thereto (Exhibit 4)

5.0 Members

5.1 Membership Requirements

A Distributor Segment Membership Requirements

Membership in the Distributor Segment of the Retail Electric Quadrant of the NAESB shall be open to any person that meets the following requirements:

1. The person meets the membership criteria set forth in the Bylaws (Article 5) and the Certificate of Incorporation (Article IV, Sections 1 & 2) and Section 5.1 of the REQ quadrant Procedures.
2. The person provides electric distribution to retail end-users, or is a Trade Association representing parties who provide electric distribution to retail customers and qualifies under the procedure in section 5.1 B, following.
3. The person has submitted an application to the NAESB Office declaring Distributor Segment affiliation in the REQ.

B Trade Association Participation as Members

1. The Member may be a trade association or an advocacy group representing a group of prospective Members, provided that
 - (a) the group represents an interest that is identified within the Segment, yet is
 - (i) not represented, or
 - (ii) is underrepresentedin the judgement of a simple majority of the Segment Membership, and
 - (b) the prospective representative's relationship to the group wishing to be represented in this manner is documented in one of the following ways:
 - (i) is a generally recognized representative of the subject group for other transactions (e.g. provides group insurance, group buying of another product, legislative lobbying, etc)
 - (ii) provides a letter of authorization from the group, including an expiration date for the letter of authorization
 - (c) no more than two entities within the group represented subsequently join as voting Members of the Segment, at which point the Segment Membership will reconfirm the Trade Association's eligibility for continued membership under the terms of Section 2.3 C (1) a) (above)
2. Potential trade association Members must be approved by a simple majority of the then current Distribution Segment Members.
3. The approval for a Trade Association to participate as a Member must be reconfirmed by a simple majority of the Segment Members every two years.
4. Trade Associations participating as Members have the same rights and responsibilities as all other Members.

5.2 Removal of Members

Members who do not have a significant business interest pertaining to the Distributor Segment may be removed from Distributor Segment Membership by a simple majority vote of the declared Distributor Segment Membership.

6.0 As described in the NAESB Bylaws or REQ Procedures attached thereto (Exhibit 4)

7.0 Board

7.1 Representation

The Distributor Segment of the REQ shall be represented on the Board.

7.2 Qualification of Directors

To be eligible to serve as a Distributor Segment representative on the NAESB Board of Directors, the individual must

- A be a Distributor Segment Member;
- B meet the eligibility requirements set forth in Section 7.2 of the NAESB Bylaws and Section 7.2 or the REQ procedures attached thereto.

7.3 Number and Election of Directors

A Number of Directors

Four (4) persons who are individual Segment Members will represent the Distributor Segment on the REQ Board of Directors.

B Nomination of Candidates

Nominations shall be made as indicated in Section 7.3 of the REQ Procedures.

C Election of Directors

The Distributor Segment of the REQ shall elect individuals to serve on the Board as required by Article 7 of the NAESB Bylaws and in Section 7 of the REQ Procedures attached thereto.

D Election of Directors

1. Except as provided in section 19, the election process for REQ Distributor Segment Directors shall be:
 - (a) coordinated by the Vice-Chair of the Segment with appropriate coordination with the NAESB Office, and
 - (b) announced by formal notice to the Segment Membership no less than 15 days prior to the date of the election, with such notice indicating the name and affiliation of all candidates.
2. Elections for REQ Distributor Segment Directors shall be subject to the following provisions:
 - (a) Any Distributor Segment Member of the REQ with dues current is eligible to have one duly authorized representative cast the Member's vote;
 - (b) Distributor Segment Members shall cast votes for candidates in a number not exceeding the number of Director seats open for election by the Distributor Segment;
 - (c) Segment Members may cast only one vote per candidate
 - (d) The candidates receiving the greatest numbers of votes shall be elected, subject to a maximum of two (2) Directors from a single reliability region (as defined in 2001, see Diagram 1 and end of these Procedures);
 - (e) Results of the elections for the REQ Directors, including the returned ballots, shall be forwarded to the NAESB Office, for the purpose of public record and validation of voting results, upon conclusion of any election.

7.4 Term of Office

A Term of Office

Except as provided for in Section 19, each Director from the Distributor Segment of the REQ shall serve a term of two years on the NAESB Board, as described in the REQ quadrant procedures, Section 7.4 A.

B Change of Affiliation

In the event that the Distributor Segment Director changes affiliation to another Member within the Distributor Segment, the Director's term will continue until its natural expiration, provided that there is no other Director already representing the same Member, in which case the Director changing his or her affiliation will vacate their seat for election of a new Director.

7.5 Vacancies

Any Director seats becoming vacant shall be filled in accordance with REQ Procedures as specified in this Exhibit 4 to the Bylaws.

7.6 Removal of Directors

A A NAESB Director shall cease to hold that position upon:

1. the resignation of REQ Distributor Segment Membership by the entity of which the Director serves as a representative;
2. the lapse of the NAESB Membership dues of the Member for which the Director serves as a representative;
3. the Director's resignation, removal, or death; or
4. the first day of the NAESB operating year following an election for the seat held by the Director, wherein the Director was not re-elected by the Segment Membership as declared by the NAESB Secretary.

B Receipt by the NAESB Secretary of a rescission letter indicating that the individual no longer represents the Member does not constitute grounds for removal of the Director if all three of the following conditions are satisfied:

1. the individual continues activity or employment in the Distributor Segment of the Electric industry with another Distributor Segment Member;
2. the individual's new employer is a Segment Member with no representatives holding seats on the Board; and
3. the Board determines that completion of the Director's term of office is in the best interest of NAESB.

- C Upon a request by a Segment Member contending that the Director does not meet the qualifications as described in Section 7.2 above, a Distributor Segment vote for removal of the Director can be called. The Segment shall provide the Director at least 30 days notice of the proposed action and an opportunity to respond. Directors may be removed from office by the Segment Membership at any time upon a 67% vote.
- D A vacancy resulting from removal of a Director shall be filled for the remainder of that term in accordance with Section 7.5 of these Procedures.

7.7 Resignation of Directors

A Director may resign his or her position by submitting a letter to the NAESB Secretary as stated in the NAESB Bylaws Section 7.7 with a copy to the Chair of the Distributor Segment of the REQ stating that he or she is resigning and giving the effective date of the resignation.

8.0 Officers

8.1 Segment Governance

The Distributor Segment Members shall elect Members of the Distributor Segment to the following administrative and governance positions:

- A Distributor Segment Chair

The Distributor Segment Chair will preside over all meetings of the general Distributor Segment Membership separate from meetings of the REQ.

- B Distributor Segment Vice Chair

The Distributor Segment Vice-Chair will assist the Distributor Segment Chair in presiding over all meetings of the general Distributor Segment. The Vice-Chair will, along with the NAESB Office, coordinate all Segment elections once the Segment has commenced operation.

8.2 Qualifications of Segment Officers

To be eligible to serve as a Distributor Segment Officer, the individual must

- A be a Segment Member;
- B have a working knowledge of the NAESB process;
- C be willing to commit the time and resources necessary to fulfill their obligations as a Segment Officer. Candidates for Segment office will be asked to submit a letter to NAESB documenting their commitment.

8.3 Election, Term of Office, & Succession

The term of office of the Distributor Segment Chair is one year concurrent with the operating year of NAESB.

The Distributor Segment Chair will be succeeded in the following year by the Distributor Segment Vice-Chair. with a new Distributor Segment Vice-Chair elected to fill the vacant Distributor Segment Vice-Chair position.

The election of the new Vice Chair shall be coordinated with the Board and EC elections, with succession taking place at the start of the next NAESB operating year. If the Vice Chair position is vacant at the time of this election, then two Segment Chairs will be elected, with the candidate receiving the highest number of votes becoming Chair and the candidate with the second highest vote total becoming Vice Chair.

In the event the Segment Chair position is vacant, the Vice Chair shall immediately assume the Chair position and shall appoint a new Vice Chair to fill out the remainder of the operating year. If the Vice Chair position becomes vacant, the Chair shall appoint a new Vice Chair to fill out the remainder of the operating year. Appointed Segment Officers are not eligible to succeed from Vice Chair to Chair as described above. They must instead stand for election as if the office was vacant with the highest vote-getter becoming the Chair and the next highest becoming the Vice Chair.

8.4 Holding Segment and NAESB/REQ offices

A Segment Member may hold one of the Officer positions within the Segment and also serve on the Board or the Executive Committee concurrently.

8.5 Removal of Segment Officers

- A A Distribution Segment Officer shall cease to hold that position upon:
1. the resignation of REQ Distributor Segment Membership by the entity of which the Segment Officer serves as a representative;
 2. the lapse of the NAESB Membership dues of the Member for which the Segment Officer serves as a representative;
 3. the Segment Officer's resignation, removal, or death; or
 4. the first day of the next NAESB operating year following an election for the seat held to elect Segment Officers, wherein the Segment Officer was not elected by the Segment Membership as declared by the NAESB Secretary and was not an incumbent Vice-Chair succeeding the Chair as described in Section 8.3 of these Segment procedures
- B Receipt by the NAESB Secretary of a rescission letter indicating that the individual no longer represents the Member does not constitute grounds for removal of the Distributor Segment Officer if the following conditions are satisfied:
1. the individual continues activity or employment in the Distributor Segment of the Electric industry with another Distributor Segment Member,
 2. a majority of the Segment's EC Members determine that completion of the Segment Officer's term of office is in the best interest of the Segment
- C Upon request by a Segment Member that the Segment Officer does not meet the qualifications as described in Section 8.2 above, a Distributor Segment vote for removal of the Segment Officer can be called. Segment Officers may be removed from office by the Segment Membership at any time upon a 67% vote.
- D A vacancy resulting from removal of an Segment Officer shall be filled for the remainder of that term in accordance with Section 8.3 of these Segment Procedures.

8.6 Distributor Segment Secretary

The Chair will appoint a Secretary of the meeting(s) who will take meeting minutes and record votes. This may be a standing position or this function may be performed by a NAESB Office representative.

9.0 As described in the NAESB Bylaws or REQ Procedures attached thereto (Exhibit 4)

10.0 Executive Committee (EC)

10.1 Duties and Responsibilities Within Segment EC

The Distributor Segment of the REQ shall be represented on the EC.

10.2 Qualifications

To be eligible to serve as a Distributor Segment representative on the EC, the individual must

- A be a Segment Member;
- B meet the eligibility requirements set forth in Section 7.2 of the NAESB Bylaws and Section 7.2 or the REQ procedures attached thereto.

10.3 Number and Election of EC Members

A Number of EC Members

Four (4) persons who are individual Segment Members will represent the Distributor Segment on the REQ EC.

B Nomination of Candidates

Nominations shall be made as indicated in Section 10.3 of the REQ Procedures.

C Election of EC Members

The Distributor Segment of the REQ shall be represented on the NAESB EC by individuals who shall be elected, as required by Article 10 of the NAESB Bylaws and in Section 10 of the REQ Procedures attached thereto.

1. Except as provided in section 19, the election process for REQ Distributor Segment representatives to the REQ EC shall be
 - (a) coordinated by the Vice-Chair of the Segment with appropriate coordination with the NAESB Office and;
 - (b) announced by formal notice to the Segment Membership no less than 15 days prior to the date of the election, with such notice indicating the name and affiliation of all candidates.
2. Elections for REQ Distributor Segment EC members shall be subject to the following provisions:
 - (a) Any Distributor Segment Member of the REQ with dues current is eligible to have one duly authorized representative cast the Member's vote;
 - (b) Distributor Segment Members shall cast votes for candidates in a number not exceeding the number of EC seats open for election by the Distributor Segment;
 - (c) Segment Members may cast only one vote per candidate
 - (d) The candidates receiving the greatest numbers of votes shall be elected, subject to a maximum of two (2) EC members from a single reliability region (as defined in 2001, see Diagram 1 at end of these Procedures);
 - (e) Results of the elections for the REQ EC, including the returned ballots, shall be forwarded to the NAESB Office, for the purpose of public record and validation of voting results, upon conclusion of any election;

10.4 Term of Office

A Term of Office

Each EC Member from the Distributor Segment of the REQ shall serve a term of two years on the REQ EC, as described in Section 10.4 of the REQ Quadrant procedures except as provided for in Section 19.2 of this procedure.

B Change of Affiliation

In the event that the Distributor Segment EC Member changes affiliation to another Member within the Distributor Segment, the EC Member's term will continue until its natural expiration, provided that there is no other EC Member already representing the same Member, in which case the EC Member changing his or her affiliation will vacate their seat for election of a new EC Member.

10.5 Vacancies

Vacancies shall be filled in accordance with Section 10.5 of the REQ Procedures

10.6 Removal of EC Members

A A NAESB EC Member shall cease to hold that position upon:

1. the resignation of REQ Distributor Segment Membership by the entity of which the EC Member serves as a representative;
2. the lapse of the NAESB Membership dues of the Member for which the EC Member serves as a representative;
3. the EC Member's resignation, removal, or death; or
4. the first day of the NAESB operating year following an election for the seat held by the EC Member, wherein the EC Member was not re-elected by the Segment Membership as declared by the NAESB Secretary.

B Receipt by the NAESB Secretary of a rescission letter indicating that the individual no longer represents the Member does not constitute grounds for removal of the Distributor Segment EC Member if all three of the following conditions are satisfied:

1. the individual continues activity or employment in the Distributor Segment of the Electric industry with another Distributor Segment Member,
2. the individual's new employer is a Segment Member with no representatives holding seats on the EC, and
3. the EC determines that completion of the EC Member's term of office is in the best interest of NAESB

- C Upon a request by a Segment Member contending that the EC Member does not meet the qualifications as described in Section 10.2 above, a Distributor Segment vote for removal of the EC Member can be called. The Segment shall provide the EC Member at least 30 days notice of the proposed action and an opportunity to respond. EC Members may be removed from office by the Segment Membership at any time upon a 67% vote.
- D A vacancy resulting from removal of an EC Member shall be filled for the remainder of that term in accordance with Section 10.7 of these Segment procedures.

10.7 Resignation of EC Members

A Distributor Segment EC Member may resign his or her position by submitting a letter to the NAESB Office with a copy to the Chair of the Distributor Segment of the REQ stating that he or she is resigning and giving the effective date of the resignation.

10.8 Designated Alternates

- A The Designated Alternate's authority to represent the Distributor Segment shall be as described in the REQ Procedures Section 10.7 A.
- B Selection of Designated Alternates:
 - 1. The Distributor Segment will select no more than three (3), and no less than one Designated Alternate EC representative in each election year, allowing for up to three (3) Designated Alternates overall.
 - 2. Designated Alternates will be selected by the same election that determines Distributor Segment EC members, with those (up to 3) unsuccessful Distributor Segment EC member candidate(s) receiving the greatest number of votes becoming a Designated Alternate in the coming year. Following the election of REQ Distributor Segment EC Members, the REQ Distributor Segment will elect not more than three (3) REQ Distributor Segment Designated EC Alternates to attend and vote at REQ or NAESB EC meetings, when one, or more, regular REQ Distributor Segment EC Member is (are) unable to attend a particular EC meeting. In preparation for an election of REQ Distributor Designated EC Alternates, a slate of

candidates shall be solicited and developed from interested REQ Distributor Segment Members. The REQ Distributor Segment shall specify a point of contact who shall provide the list of nominees to the NAESB office.

3. If all three Alternates are no longer able to serve prior to the annual election, a special election for interim alternates shall be held. These interim Alternates will be the acting Alternates until the permanent ones are elected at the normal annual election.

3-4. The first, second, and third Designated Alternate will be determined by the order of voting results ~~of the most recent Distributor Segment EC election.~~

5. The elected REQ Distributor Segment Designated EC Alternates shall be announced to the NAESB Office as soon as possible after the election is complete. This written communication shall include the name, address, telephone number, facsimile number, and e-mail address of each Designated EC Alternate of the REQ Distributor Segment.

4-6. A Designated Alternate temporarily serving in the place of an EC Member is not subject to the geographic limitations placed on permanent EC Members.

C Duties of Designated Alternates

A Designated Alternate will attend and vote at meetings of the EC of the REQ or of the larger EC of NAESB, when one or more regular Distributor Segment EC Members from the Distributor Segment are unable to attend a meeting of the EC and when the absent member, or the Chair or the Vice-Chair of the REQ EC requests their attendance as a Designated Alternate. Selection of which Designated Alternate will serve will proceed through the order of first, second, and third Designated Alternate, with each

indicating whether they can or cannot fulfill the requirement to serve at the subject meeting.

11.0 Notice

11.1 Notice of Member Meetings

Segment Member meetings shall have a meeting notice posted at least 30 days in advance

11.2 Communications Processes

- A All meeting notices shall be posted on the NAESB website and transmitted in writing, facsimile, electronic mail, or other electronic means to the Segment's mailing list (described below) and other parties who have indicated an interest in the meeting.
- B The Distributor Segment Secretary will maintain a mailing list (and e-mail list) of it's Members and will directly distribute information and notices on Segment issues to Distribution Segment Members.
 - 1. The Distribution Segment Secretary will maintain a mailing list (and e-mail list) of parties who have participated in Segment proceedings during the last 12 months and will directly distribute information and notices on Segment issues these known interested parties.
 - 2. The Distributor Segment Secretary will rely upon NAESB, NRECA, APPA, EEI, and other trade associations to distribute various information and notices to other interested parties.

12.0 – 17.0 As described in the NAESB Bylaws or REQ Procedures attached thereto (Exhibit 4)

18.0 Amendments

18.1 Procedure for Amendment

- A Proposal

1. Proposed amendments to these procedures will be presented to the Segment Membership for consideration when a petition supported by at least three (3) Distributor Segment Members is submitted to the Segment Vice Chair
2. The Segment Vice Chair shall call a Segment Member meeting for the purpose of considering the proposed change(s) and shall send out a meeting announcement at least thirty (30) days prior to the meeting

B Adoption/Recommendation

1. A quorum consisting of at least 33% of the Distributor Segment Members must be present (in person or by electronic means) in order for the participants to take action on the proposed amendments.
2. Participants at the meeting will discuss the proposed change(s) and, if appropriate, draft a proposed resolution for ratification by the Membership.
3. Resolutions must be approved by 51% of the Members in attendance at the meeting to be adopted and presented to the Membership for comment and ratification.

C Ratification

1. The resolution shall be distributed to all Distributor Segment Members for a 30-day comment period
2. The Vice Chair shall accumulate the comments and publish them to all Members prior to a notational vote.
3. All Members shall receive a ballot on the proposed resolution and be allowed a minimum of 14 days to return the ballot indicating their vote.
 - (a) At the discretion of the Segment Vice Chair the balloting may be done in hard copy form or through electronic means such as internet voting or through e-mail.
 - (b) Ballots that are not returned shall be considered to have voted in approval of the proposed resolution.
 - (c) Approval by at least 67% of the Distributor Segment Members is required for the resolution to take effect.

19.0 Transitional Procedures

19.1 Member Solicitation

Potential Segment Members will be solicited to join from March 7, 2002 to May 1, 2002. Distributors who have filed NAESB applications by the close of business on May 1, 2002 shall constitute the initial Membership of the Segment.

During this same period joining members will be asked their interest in running for election to the NAESB Board, the EC, or Segment Officer positions.

19.2 Initial Elections

A General Procedures

1. The Distributor Segment initial elections will be coordinated with the other REQ Segments
2. NAESB Office will coordinate and receive and count ballots
3. Elections will be completed by May 15, 2002, provided the REQ and its Segments meet threshold Membership criteria by May 1, 2002
4. Parties who have filed applications for Membership in the Quadrant with NAESB on or before May 1, 2002 are eligible to vote.

B Initial Distributor Segment Directors

1. The candidates receiving the greatest number of votes shall be elected, subject to a maximum of two Directors from a single reliability region, as defined in 2001.
2. The two (2) initial Directors receiving the greatest number of votes shall serve a maximum of two years or until replaced by Directors elected in the second regularly scheduled election. The remaining two (2) initial Directors shall serve a maximum of one year or until replaced by Directors elected in the first regularly scheduled election.

C Initial Distributor Segment EC Members

1. The candidates receiving the greatest number of votes shall be elected, subject to a maximum of two EC Members from a single reliability region, as defined in 2001.
2. The two (2) initial EC Members receiving the greatest number of votes shall serve a maximum of two years or until replaced by EC Members elected in the second regularly scheduled election. The remaining two (2) initial Directors shall serve a maximum of one year or until replaced by Directors elected in the first regularly scheduled election.
3. The unsuccessful EC candidates receiving the most votes shall be named Designated Alternates for the Segment. They shall be assigned first, second, or third based on their vote totals. These initial Designated Alternates shall serve until replace subsequent to the next election.

D Initial Segment Officers

1. Both a Segment Chair and Vice-Chair will be elected
2. Members will be asked to vote for two Segment Chairs, with the candidate with the highest vote total becoming Chair and the candidate with the next highest vote total becoming Vice-Chair.
3. These initial Segment officers shall begin their duties immediately upon election and retain these positions until replaced by new officers elected in the first scheduled election.

Diagram 1
NERC Reliability Regions Used in REQ Distributor Segment Procedures
(Sections 2.3 B.1.(b), 7.3.d.2.(d), 10.3.d.2.(d))

