

1 **THIS DOCUMENT IS A DRAFT PROPOSAL FOR DISCUSSION PURPOSES, THE FINAL FORM OF**  
2 **WHICH SHOULD MATERIALIZE ONLY AFTER ALL STAKEHOLDERS AGREE ON THE**  
3 **PROCEDURES WITHIN.**

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6 ***Note:** This draft of the RGQ Procedures includes revisions based on comments received*  
7 *during Retail Quadrants meetings of January 17 and 29 and the conference call of*  
8 *January 22, 2002.*

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11 **NORTH AMERICAN ENERGY STANDARDS BOARD**

12 **BYLAWS ADDENDUM**

13 **EXHIBIT 3**

14 **RETAIL GAS QUADRANT PROCEDURES**

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## 1 - DEFINITIONS

### Section 1.1 Definitions Included in the NAESB Bylaws

18 Capitalized terms, when used in this Exhibit to the NAESB Bylaws, shall have the meanings set  
19 forth in Section 1.1 of the NAESB Bylaws.

### Section 1.2 Definitions for the Purposes of this Exhibit

21 The following terms have not been defined in Section 1.1 of the NAESB Bylaws and when used  
22 in this Exhibit, shall have the meanings set forth below:

23 A. “RGQ” means the Retail Gas Quadrant of NAESB.

24 B. “RGQ Designated Alternate” is defined as a person named by a Segment of the Retail Gas  
25 Quadrant Segment, submitted to the NAESB office, to serve in place of a RGQ EC Member  
26 who is unable to attend an EC meeting.

27 C. “RGQ EC” means the Executive Committee of the Retail Gas Quadrant of NAESB.

28 D. “RGQ EC Subcommittee” means a subcommittee established by the Executive Committee of  
29 the Retail Gas Quadrant of NAESB.

30 E. “RGQ Members” means Voting Members of the Retail Gas Quadrant of NAESB that satisfy  
31 the requirements of membership set forth in Section 5.1 and, if applicable, in the respective  
32 Segment Procedures in this Exhibit.

33 F. “RGQ Segment” means one of the four co-equal Segments of the Retail Gas Quadrant of  
34 NAESB.

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## 2 – PURPOSES, SCOPE, ACTIVITIES, AND POLICIES

### Section 2.1 Purposes, Scope and Activities

38 The purpose of the Retail Gas Quadrant (RGQ) of NAESB is to propose and adopt voluntary  
39 model business practices or standards to promote more competitive, efficient and reliable service in the

40 retail natural gas industry. The Retail Gas Quadrant is concerned with and tasked to handle natural gas  
41 related issues and practices that are within the scope of NAESB and typically addressed at the retail  
42 natural gas distribution level. The Retail Gas Quadrant shall work closely with other NAESB Quadrants  
43 to mitigate inconsistencies where proposed standards and model business practices affect those other  
44 Quadrants.

45 **Section 2.2 Policies**

46 The Retail Gas Quadrant shall comply with the policies and procedures laid out in the bylaws  
47 and the certificate of incorporation of NAESB. Further, the Retail Gas Quadrant intends to operate in  
48 conformance with the principles of the umbrella organization, as established in Section 2.2 (b) of the  
49 NAESB Bylaws and in compliance with ANSI guidelines. As such, the Retail Gas Quadrant encourages  
50 a widely based membership and has identified Segments, which reflect this principle of inclusiveness.  
51 Also consistent with this approach, the Retail Gas Quadrant shall ensure that all meetings, including  
52 those of its Members, Executive Committee (EC), and Subcommittees and Task Forces, shall be open to  
53 all persons and that all minutes thereof shall be available to the public.

54 **Section 2.3 RGQ Segments**

55 What follows is a description of the Retail Gas Quadrant organizational structure, including a  
56 listing of RGQ Segments.

- Suppliers: Persons, other than Distributors, engaged in the sale of natural gas and/or pipeline capacity, including marketers (retail, wholesale), aggregators, producers, asset managers and pipelines.
- Distributors: Persons engaged in the regulated or publicly owned local distribution of natural gas.
- End Users: Persons that consume natural gas, including consumer advocacy organizations and retail customer groups.
- Service Providers: Persons that provide services to the participants in the retail natural gas industry, including equipment manufacturers, equipment and service vendors, software providers, energy consultants, and other companies not otherwise declared in any other Segment.

57 Each RGQ Segment shall have the flexibility to determine its own Segment rules and procedures  
58 and to elect or select its own representatives to the NAESB Board and to the RGQ EC, as long as those  
59 rules and procedures conform with NAESB Bylaws and the Retail Gas Quadrant procedures in this  
60 Exhibit.

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**3 - RESERVED**

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**4 - RESERVED**

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**5 – RGQ MEMBERS**

67 **Section 5.1 Voting Members**

68 The definition of Membership applies to all RGQ Segments. RGQ Members are persons with  
69 legitimate business interest<sup>1</sup> in the retail natural gas market and which meet the definitions of one of the  
70 four RGQ Segments. Upon applying for Voting Membership (as described in NAESB Bylaws Sections

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<sup>1</sup> “Legitimate business interest” in this section specifically includes the interests of statutorily appointed consumer advocates.

71 1.1 and 5.1), each prospective RGQ Member shall declare the RGQ Segment with which they are to be  
72 identified. Voting Membership in the Retail Gas Quadrant of NAESB shall be open to all persons that  
73 meet all of the following requirements:

- 74 - The person has a legitimate business interest in the retail natural gas market (or is a  
75 representative or Agent of such person).
- 76 - The person meets the description of one of the co-equal industry Segments identified by the  
77 Retail Gas Quadrant of NAESB.
- 78 - The person has declared its affiliation to one, and only one, of the RGQ Segments.
- 79 - Through special application, which includes a recommendation by its RGQ Segment and an  
80 affirmative vote of at least 50% of the RGQ EC, a trade association may join the RGQ  
81 Membership if it represents an interest that is identified within an RGQ Segment yet is not  
82 represented, or is underrepresented, in the RGQ. The membership status of such trade  
83 associations shall be considered on an annual basis and may be voted upon through  
84 notational vote by the RGQ EC.

85 Only RGQ EC Members shall have the right to vote to adopt model business practices or  
86 standards affecting only the Retail Gas Quadrant.

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## 88 **6 – MEETINGS OF RGQ MEMBERS**

89 All meetings held in association with the NAESB Retail Gas Quadrant shall be open to all  
90 interested persons.

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**7 – BOARD**

**Section 7.1 RGQ Representatives to the NAESB Board**

The Retail Gas Quadrant shall have representatives to the NAESB Board of Directors, with each RGQ Segment electing or selecting an equal number of these representatives, pursuant to the procedures specified by the respective RGQ Segment in this Exhibit.

**Section 7.2 Qualifications of RGQ Directors**

To be eligible to serve as representative on the NAESB Board of Directors:

- The person must be a Member of the Retail Gas Quadrant;
- The person must be an executive of the organization represented, where applicable, and have broad understanding of the natural gas industry;
- The person must have a working knowledge of the NAESB process;
- The person must be willing to commit the time and resources necessary to fulfill their obligations as a NAESB Director and to meet the minimum threshold of participation and attendance established in the NAESB Bylaws [Section 9.7 (f)];
- The person must disclose their interest, or their employer's interest, in the natural gas industry and the relationship with other entities with which the employer may be affiliated; and
- Once elected to serve as Director on the NAESB Board, the individual may hold not more than one directorship, representing only one Segment within the Retail Gas Quadrant.

**Section 7.3 Number and Election of Directors**

(a) The Retail Gas Quadrant of NAESB shall be represented on the NAESB Board of Directors by twenty-four (24) persons who shall be elected, from time to time, as required by Article 7 of the NAESB Bylaws and in this Exhibit to those Bylaws. The NAESB office shall coordinate the election process for the Retail Gas Quadrant representatives to the NAESB

117 Board during the second week of November of each year.

118 (b) The elections of RGQ representatives to the NAESB Board shall be subject to the following  
119 provisions:

120 - Any RGQ Member who is current in the payment of its dues is eligible to vote; and

121 - The candidates receiving the greatest numbers of votes shall be elected.

122 **Section 7.4 Term of Office**

123 The initial Retail Gas Quadrant Directors on the NAESB Board shall be divided into two  
124 groups within each RGQ Segment. Group A Directors shall serve for an initial term of three  
125 years, while Group B Directors shall serve for an initial term of two years. Each RGQ Segment  
126 shall have an equal number of Group A Directors and an equal number of Group B Directors.  
127 Upon the completion of the initial terms of both groups of Directors, succeeding Directors shall  
128 thereafter be elected for terms of three (3) years, consistent with NAESB Bylaws.

129 **Section 7.5 Vacancies**

130 A NAESB Director shall cease to be a Director upon 1) the resignation of the RGQ Membership  
131 of the entity of which the Director is a partner, director, officer, or agent; 2) the lapse of the RGQ  
132 Membership of the entity of which the Director is a partner, director, officer, agent or employee, through  
133 delinquent NAESB dues for the RGQ Membership; or (3) the Director's resignation, removal, or death.  
134 A Director vacancy shall be filled for the remainder of that term in accordance with the procedures  
135 specified in the respective Segment Procedures in this Exhibit.

136 **Section 7.6 Removal of Directors**

137 Each RGQ Segment shall have the authority to remove a Director for cause. Prior to voting on  
138 such resolution to remove a Director for cause, the RGQ Segment shall give the Director at least 30-day  
139 notice of the proposed action and an opportunity to respond. A simple majority of the RGQ Segment  
140 Membership shall be required to remove a Director.

141 **Section 7.7 Resignations**

142 A Director may resign his or her directorship by submitting a letter to the Secretary of NAESB,  
143 stating that he or she is resigning and giving the effective date of the resignation.

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145 **8 – RESERVED**

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147 **9 – RESERVED**

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149 **10 - EXECUTIVE COMMITTEE**

150 **Section 10.1 Duties and Responsibilities**

151 The Retail Gas Quadrant shall have an Executive Committee (EC), which shall also participate in the  
152 larger NAESB EC body, consisting of representatives from each RGQ Segment, with each RGQ Segment  
153 electing an equal number of these RGQ EC Members, pursuant to procedures specified by the respective  
154 Segment in this Exhibit. Only Voting Members of the Retail Gas Quadrant have the right to ratify model  
155 business practices and standards that were adopted by the RGQ EC and that affect only the Retail Gas  
156 Quadrant. No substitutes are permitted to vote at Retail Gas Quadrant meetings; however, an RGQ  
157 Designated Alternate may vote at EC meetings in place of an absent RGQ EC Member from a given  
158 RGQ Segment. An RGQ Designated Alternate holds identical voting rights as the RGQ EC Member in  
159 whose place he or she serves, except for those matters on which the RGQ EC Member has already voted  
160 by notational ballot prior to the beginning of the meeting.

161 **Section 10.2 RGQ EC Members**

162 (a) Number and Election of RGQ EC Members: The Retail Gas Quadrant of NAESB shall be  
163 represented on the RGQ EC by twenty-four (24) persons who shall be elected, from time to  
164 time, as required by Article 10 of the NAESB Bylaws and in this Exhibit to those Bylaws.

165 The NAESB office shall coordinate the election process for RGQ EC Members during the  
166 second week of November of each year. The elections of RGQ EC Members shall be subject  
167 to the following provisions:

- 168 - Any RGQ Member who is current in the payment of its dues is eligible to vote; and
- 169 - The candidates receiving the greatest numbers of votes shall be elected.

170 (b) Term of Office: The initial RGQ EC Members shall be divided into two groups within each  
171 Segment. Group A RGQ EC Members shall serve for an initial term of three years, and  
172 Group B RGQ EC Members shall serve for an initial term of two years. Each RGQ Segment  
173 shall have an equal number of Group A RGQ EC Members and an equal number of Group B  
174 RGQ EC Members. Upon the completion of the initial terms of both groups of RGQ EC  
175 Members, succeeding RGQ EC Members shall thereafter be elected for terms of three years,  
176 consistent with NAESB Bylaws.

177 (c) Qualifications of RGQ EC Members: To be eligible to serve as a RGQ EC Member:

- 178 - The person should have broad understanding of the natural gas industry and be at least a  
179 functional manager of the organization represented;
- 180 - The person should have a working knowledge of the NAESB process;
- 181 - The person must be willing to commit the time and resources necessary to fulfill their  
182 obligations as a RGQ EC Member and to meet the minimum threshold of participation  
183 and attendance established in the NAESB Bylaws [Section 9.7 (f)]; and
- 184 - The person must disclose their interest, or their employer's interest, in the natural gas  
185 industry and the relationship with other entities with which the employer may be  
186 affiliated; and
- 187 - Once elected to serve as RGQ EC Member, the individual may hold not more than one  
188 EC seat, representing only one Segment within the Retail Gas Quadrant.

189 (d) Vacancies: Vacancies in the RGQ EC may occur upon 1) the resignation of the RGQ

190 Membership of the entity of which the RGQ EC Member is a partner, director, officer, or  
191 agent; 2) the lapse of the RGQ Membership of the entity of which the RGQ EC Member is a  
192 partner, director, officer, agent or employee, through a delinquency in payment of NAESB  
193 dues for the RGQ Membership; or (3) the RGQ EC Member's resignation, removal, or death.  
194 An RGQ EC Member vacancy shall be filled for the remainder of that term in accordance  
195 with the procedures specified by the respective Segment Procedures in this Exhibit.

196 (e) Removal of RGQ EC Members: Each RGQ Segment shall have the authority to remove an  
197 RGQ EC Member for cause. Prior to voting on such resolution to remove an RGQ EC  
198 Member for cause, the RGQ Segment shall give the RGQ EC Member at least 30-day notice  
199 of the proposed action and the opportunity to respond. A simple majority of the RGQ  
200 Segment Membership shall be required to remove an RGQ EC Member.

201 (f) Resignations: A RGQ EC Member may resign from the RGQ EC by submitting a letter to  
202 the Secretary of NAESB, stating that he or she is resigning and giving the effective date of  
203 the resignation.

204 **Section 10.3 Reserved**

205 **Section 10.4 Reserved**

206 **Section 10.5 RGQ EC Subcommittees**

207 While there may be Subcommittees and Task Forces established by the NAESB EC, to be  
208 comprised of NAESB Members and other interested parties, the Retail Gas Quadrant shall set up its own  
209 Subcommittees and Task Forces to deal with Retail Gas Quadrant-specific issues. Each RGQ EC  
210 Subcommittee shall report to the RGQ EC and each shall:

- 211 - elect a chair who shall be an RGQ EC Member and who shall serve until removed by the  
212 RGQ Subcommittee's membership;
- 213 - carry out its work in accordance with procedures adopted by the NAESB EC for EC  
214 Subcommittees;

- 215 - provide notice of meetings and agendas;
- 216 - practice balanced voting and record voting results; and
- 217 - keep regular minutes of its proceedings and provide copies of these minutes promptly to the
- 218 NAESB office.

219 Any task force established by RGQ EC Subcommittees shall be open to all NAESB Members  
220 and other interested parties. At NAESB joint Subcommittee or joint Task Force meetings, the same  
221 individual may represent different Segments from different NAESB Quadrants, as long as that individual  
222 declares prior to the joint meeting the NAESB Quadrant and Segment for which he or she is casting a  
223 vote. At RGQ Subcommittee or Task Force meetings, the same individual may represent different RGQ  
224 Segments, as long as that individual declares prior to the meeting the RGQ Segment for which he or she  
225 is casting a vote.

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227 **11 – RESERVED**

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**17 – RESERVED**

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**18 - AMENDMENTS**

**Section 18.1 Amendments**

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243 In order for Retail Gas Quadrant Procedures to be amended, upon petition of at least five (5)  
244 RGQ Members, the Vice Chair of the EC for the RGQ shall announce an RGQ meeting. Such  
245 announcement shall provide for at least a 30-day notice. In order to transact business at the RGQ  
246 meeting, there shall be a quorum consisting of at least 1/3 of the RGQ Membership. Following such  
247 meeting, the proposed resolution adopted at the meeting shall be sent out for comment, and the comments  
248 shall be distributed to all RGQ Members in advance of a notational vote. Any RGQ Member not  
249 choosing to vote shall be considered to have voted in favor of the proposed change. In order for a  
250 proposed change to take effect, it must be approved by at least 2/3 of RGQ Members and 40% of each  
251 RGQ Segment’s Membership.

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**19 – TRANSITIONAL PROCEDURES**

**Section 19.1 Transitional Voting Threshold**

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255 Each Segment may populate up to six seats on the NAESB Board or RGQ EC. Recognizing that  
256 the RGQ Segments might fill their allotted seats at varying rates, a Transitional Voting Period shall be  
257 established, whereby the voting threshold for RGQ representatives on the NAESB Board and on the  
258 RGQ EC will be tiered into two phases. During Phase I, to end no later than December 31, 2002, the  
259 Transitional Voting Threshold will be set to four, and during Phase II of the Transitional Voting Period,  
260 to end no later than December 31, 2003, the Transitional Voting Threshold will be set to five. Upon  
261 expiration of the Phase II of the Transitional Voting Period, no Transitional Voting Threshold will be in

262 effect and this Section shall expire.

263 **Section 19.2 Transitional Voting Multiplier**

264 Each RGQ Segment will determine the number of seats on the NAESB Board or RGQ EC it  
265 intends to populate and inform the NAESB office of this number. A Transitional Voting Multiplier shall  
266 be calculated for each RGQ Segment by dividing the number of populated seats in the largest RGQ  
267 Segment by the greater of the number of seats populated in that RGQ Segment or the applicable  
268 Transitional Voting Threshold. The following example is used to illustrate this: A given RGQ Segment  
269 populates four seats during Phase I of the Transitional Voting Period, while the largest RGQ Segment in  
270 this case populates six. To determine the Transitional Voting Multiplier for the smaller RGQ Segment in  
271 this example, the number of seats in the largest RGQ Segment (which in this case is 6) would be divided  
272 by the Phase I Transitional Voting Threshold (which is 4) to arrive at 1.5 as the Transitional Voting  
273 Multiplier for the smaller RGQ Segment in this case.

274 **Section 19.3 Application**

275 When non-procedural votes are tallied at NAESB Board or EC meetings, each of the voters  
276 present will have their votes weighted by the Transitional Voting Multiplier applicable to that voter's  
277 RGQ Segment. Where applicable, NAESB balanced voting rules will be applied after votes have been  
278 weighted. Thus in the example given in Section 19.2, if all four representatives from the smaller RGQ  
279 Segment vote, the tally of their votes would be 6.

280 **Section 19.4 Limitation on Transitional Voting Multiplier**

281 To the extent that the number of individuals identifying with a RGQ Segment at a sub-committee  
282 or task force meeting is less than or equal to the number of RGQ EC seats populated, the Transitional  
283 Voting Multiplier may be used to weight votes prior to the application of balanced voting rules.

284 **Section 19.5 Early Threshold Expiration**

285 Should all RGQ Segments populate the NAESB Board or the RGQ EC seats in excess of the  
286 Transitional Voting Threshold prior to the expiration of Phase I of the Transitional Voting Period, Phase

287 I shall expire immediately and the Transitional Voting Threshold for Phase II shall apply. Should all  
288 RGQ Segments during Phase II of the Transitional Voting Period populate the NAESB Board or the  
289 RGQ EC seats in excess of the Transitional Voting Threshold, Phase II shall expire immediately, no  
290 Transitional Voting Threshold will be in effect, and this Section shall expire.

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**RETAIL GAS QUADRANT SUPPLIERS SEGMENT PROCEDURES**

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*[To be provided by the RGQ Suppliers Segment]*

295           **RETAIL GAS QUADRANT DISTRIBUTORS SEGMENT PROCEDURES**

296                           *[To be provided by the RGQ Distributors Segment]*

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**RETAIL GAS QUADRANT END USER SEGMENTS PROCEDURES**

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*[To be provided by the RGQ End Users Segment]*

299 **RETAIL GAS QUADRANT SERVICE PROVIDERS SEGMENT PROCEDURES**

300 *[To be provided by the RGQ Service Providers Segment]*