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**NORTH AMERICAN ENERGY STANDARDS BOARD**

**BYLAWS ADDENDUM**

**EXHIBIT 3**

**RETAIL GAS QUADRANT PROCEDURES**

13 **1 - DEFINITIONS**

14 **Section 1.1 Definitions Included in the NAESB Bylaws**

15 All capitalized terms, if not defined in Section 1.2, shall have the same definitions as specified in  
16 the NAESB Bylaws and Certificate of Incorporation.

17 **Section 1.2 Definitions for the Purposes of this Exhibit**

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

- 20 A. “NAESB Office” means the administrative office of the Secretary of NAESB.
- 21 B. “RGQ” means the Retail Gas Quadrant of NAESB.
- 22 C. “RGQ Designated Alternate” is defined as a person named by a Segment of the Retail Gas  
23 Quadrant Segment, submitted to the NAESB office, to serve in place of a RGQ EC Member  
24 who is unable to attend an EC meeting.
- 25 D. “RGQ EC” means the Executive Committee of the Retail Gas Quadrant of NAESB.
- 26 E. “RGQ EC Subcommittee” means a subcommittee established by the Executive Committee of  
27 the Retail Gas Quadrant of NAESB.
- 28 F. “RGQ Members” means Voting Members of the Retail Gas Quadrant of NAESB that satisfy  
29 the requirements of membership set forth in Section 5.1 and, if applicable, in the respective  
30 Segment Procedures in this Exhibit.
- 31 G. “RGQ Segment” means one of the four co-equal Segments of the Retail Gas Quadrant of  
32 NAESB.
- 33 H. “Segment Procedures” means the procedures attached to this document as exhibits for each  
34 of the Segments, as amended.
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## 2 – PURPOSES, SCOPE, ACTIVITIES, AND POLICIES

### 37 **Section 2.1 Purposes, Scope and Activities**

#### 38 **A. Purpose**

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40 The purpose of the RGQ of NAESB is to propose and adopt voluntary model business practices  
41 or standards to promote more competitive, efficient and reliable service in the retail natural gas industry.

#### 42 **B. Scope & Activities**

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44 The RGQ is concerned with and tasked to handle natural gas related issues and practices that are  
45 within the scope of NAESB and typically addressed at the retail natural gas distribution level. The RGQ  
46 shall work closely with other NAESB Quadrants to mitigate inconsistencies where proposed standards and  
47 model business practices affect those other Quadrants.

### 47 **Section 2.2 Policies**

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

55 **Section 2.3 RGQ Segment Organization**

56 What follows is a description of the RGQ organizational structure, including a listing of RGQ  
57 Segments.

Suppliers: Persons engaged in competitive retail sales of natural gas and/or capacity,  
including marketers , aggregators, producers, asset managers and pipelines.

Distributors: Persons engaged in the local distribution of natural gas.

End Users: Persons that consume natural gas or represent consumers of natural gas.

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.

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

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**3 - RESERVED**

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**5 – RGQ MEMBERS**

67 **Section 5.1 RGQ 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  
 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 RGQ of NAESB shall be open to all persons that meet all of the  
 73 following requirements:

- 74 1. The person has a legitimate business interest in the retail natural gas market (or is a  
 75 representative or Agent of such person), as determined by a simple majority of the Quadrant  
 76 Membership, if challenged;
- 77 2. The person meets the description of one of the co-equal industry Segments identified by the  
 78 RGQ of NAESB, as determined by a simple majority of the Segment Membership, if  
 79 challenged;
- 80 3. The person has designated a representative who has the authority and willingness to represent  
 81 its interests; and
- 82 4. The person has declared its affiliation to one, and only one, of the RGQ Segments.

83 The RGQ Member may be a trade association or an advocacy group representing a group of  
 84 prospective members, provided that the trade association or advocacy group meets the requirements  
 85 defined by the Segment Procedures of its declared Segment. Only RGQ EC Members shall have the right  
 86 to vote to adopt model business practices or standards affecting only the RGQ.

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

## 7 – BOARD

### **Section 7.1 Board Representation**

The RGQ shall have representatives on 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**

#### **A. Eligibility**

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

1. The person must be a Member of the RGQ;
2. The person should have broad understanding of the natural gas industry and have sufficient authority to make decisions on behalf of the organization represented; for example, a representative of a corporate entity should ideally be an executive of that corporation;
3. The person must have a working knowledge of the NAESB process;
4. 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)]; and
5. The person should 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.

#### **B. One Member, One Seat Per Quadrant**

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 RGQ.

### **Section 7.3 Number and Election of Directors**

#### **A. Number of Directors**

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advocates.

113           The RGQ of NAESB shall be represented on the NAESB Board of Directors by twenty-four (24)  
114 persons who shall be elected, from time to time, as required by Article 7 of the NAESB Bylaws and in this  
115 Exhibit to those Bylaws. The NAESB office shall coordinate the election process for the RGQ  
116 representatives to the NAESB Board during the second week of November of each year.

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117 **B. Election of Directors**

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

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

122 **Section 7.4 Term of Office**

123 The initial RGQ Directors on the NAESB Board shall be divided into three groups within each  
124 RGQ Segment whose terms shall expire as follows: Group A, consisting of two Board seats, on December  
125 31, 2004; group B, consisting of three Board seats, on December 31, 2003; and group C, consisting of one  
126 Board seat, on December 31, 2002. Upon the completion of those initial terms, all succeeding Directors  
127 shall thereafter be elected for a two-year term, consistent with the NAESB Bylaws.

128 **Section 7.5 Reserved**

129 **Section 7.6 Removal of Directors**

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

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**10 - EXECUTIVE COMMITTEE****140 Section 10.1 EC Representation**

141 The RGQ shall have an Executive Committee (EC), which shall also participate in the larger  
142 NAESB EC body, consisting of representatives from each RGQ Segment, with each RGQ Segment  
143 electing an equal number of these RGQ EC Members, pursuant to procedures specified by the respective  
144 Segment in this Exhibit. Only Voting Members of the RGQ have the right to ratify model business  
145 practices and standards that were adopted by the RGQ EC and that affect only the RGQ.

**146 Section 10.2 Qualifications of RGQ EC Members****147 A. Eligibility**

148 To be eligible to serve as a RGQ EC Member:

- 149 1. The person should have broad understanding and practical experience within the natural gas  
150 industry;
- 151 2. The person should typically be a manager or be at a level of responsibility within the  
152 organization represented to act on its behalf;
- 153 3. The person should have a working knowledge of the NAESB process;
- 154 4. The person must be willing to commit the time and resources necessary to fulfill their  
155 obligations as a RGQ EC Member and to meet the minimum threshold of participation and  
156 attendance established in the NAESB Bylaws [Section 9.7 (f)]; and
- 157 5. The person should disclose their interest, or their employer's interest, in the natural gas  
158 industry and the relationship with other entities with which the employer may be affiliated.

**159 B. One Member, One Seat Per Quadrant**

160 Once elected to serve as RGQ EC Member, the individual may hold not more than one EC seat,  
161 representing only one Segment within the RGQ.

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163 **Section 10.3 Number and Election of RGQ EC Members**164 **A. Number of EC Members**

165 The RGQ of NAESB shall be represented on the RGQ EC by twenty-four (24) persons who shall  
166 be elected, from time to time, as required by Article 10 of the NAESB Bylaws and in this Exhibit to those  
167 Bylaws.

168 **B. Election of EC Members**

169 The elections of RGQ EC Members shall be subject to the following provisions:

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

172 **C. Timing of Elections**

173 The NAESB office shall coordinate the election process for RGQ EC Members during the second  
174 week of November of each year.

175 **Section 10.4 Term of Office**

176 The initial RGQ EC Members shall be divided into three groups within each RGQ Segment whose  
177 terms shall expire as follows: Group A, consisting of two EC seats, on December 31, 2004; Group B,  
178 consisting of three EC seats, on December 31, 2003; and Group C, consisting of one EC seat, on  
179 December 31, 2002. Upon the completion of those initial terms, all succeeding EC Members shall  
180 thereafter be elected for a two-year term, consistent with the NAESB Bylaws.

181 **Section 10.5 Removal of RGQ EC Members**

182 Each RGQ Segment shall have the authority to remove an RGQ EC Member for cause. Prior to  
183 voting on such resolution to remove an RGQ EC Member for cause, the RGQ Segment shall give the  
184 RGQ EC Member at least 30-day notice of the proposed action and the opportunity to respond. A simple  
185 majority of the RGQ Segment Membership shall be required to remove an RGQ EC Member.

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186 **Section 10.6 RGQ EC Subcommittees**

187 While there may be Subcommittees and Task Forces established by the NAESB EC, to be  
188 comprised of NAESB Members and other interested parties, the RGQ shall set up its own Subcommittees  
189 and Task Forces to deal with RGQ-specific issues. Each RGQ EC Subcommittee shall report to the RGQ  
190 EC and each shall:

- 191 1. Elect a chair who shall be an RGQ EC Member and who shall serve until he or she resigns or  
192 is removed by the RGQ Subcommittee’s membership;
- 193 2. Carry out its work in accordance with procedures adopted by the NAESB EC for EC  
194 Subcommittees;
- 195 3. Provide notice of meetings and agendas;
- 196 4. Practice balanced voting and record voting results; and
- 197 5. Keep regular minutes of its proceedings and provide copies of these minutes promptly to the  
198 NAESB office.

199 Any task force established by RGQ EC Subcommittees shall be open to all NAESB Members and  
200 other interested parties. At NAESB joint Subcommittee or joint Task Force meetings, the same individual  
201 may represent different Segments from different NAESB Quadrants, as long as that individual declares  
202 prior to the joint meeting the NAESB Quadrant and Segment for which he or she is casting a vote. At  
203 RGQ Subcommittee or Task Force meetings, the same individual may represent different RGQ Segments,  
204 as long as that individual declares prior to the meeting the RGQ Segment for which he or she is casting a  
205 vote.

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**11 – RESERVED**

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209 **12 – RESERVED**

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221 **18 - AMENDMENTS**

222 **Section 18.1 Amendments**

223 In order for RGQ Procedures to be amended, upon petition of at least five (5) RGQ Members, the  
224 Vice Chair of the EC for the RGQ shall announce an RGQ meeting. Such announcement shall provide for  
225 at least a 30-day notice. In order to transact business at the RGQ meeting, there shall be a quorum  
226 consisting of at least 1/3 of the RGQ Membership. Following such meeting, the proposed resolution  
227 adopted at the meeting shall be sent out for comment, and the comments shall be distributed to all RGQ  
228 Members in advance of a notational vote. Any RGQ Member not choosing to vote shall be considered to  
229 have voted in favor of the proposed change. In order for a proposed change to take effect, it must be

230 approved by at least 2/3 of RGQ Members and 40% of each RGQ Segment's Membership.

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## 19 – TRANSITION PROCEDURES

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During the initial startup of the RGQ, the Quadrant and Segments may operate with vacant Board and EC seats in a transitional period in accordance with the following provisions. This transitional voting period will be sunset on June 30, 2003, unless the RGQ EC decides to extend the period prior to its expiration. In the event one or more Segments does not populate the maximum number of NAESB Board seats or RGQ EC seats, the number of seats per Segment will be reduced from six to five on January 1, 2003, unless the RGQ EC decides otherwise during its December 2002 meeting.

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### **Section 19.1 Initial Election of RGQ Directors**

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The founding membership of the RGQ will elect no less than three (3) Directors of their choosing per Segment by means that are consistent with NAESB Bylaws and the requirements of Section 7 of these Procedures. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the founding group. Such elected representatives will be presented to the NAESB Board for acceptance as Directors of the RGQ, and acceptance by the Board will place all the requirements and restrictions of the Bylaws, including these Procedures, upon those individuals. Subsequent elections to fill vacant seats, as necessary, will be held each month until all seats are filled.

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### **Section 19.2 Initial Election of RGQ Executive Committee**

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The founding membership of the RGQ will elect no less than three (3) EC representatives of their choosing per Segment by means that are consistent with NAESB Bylaws and the requirements of Section 10 of these Procedures. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the founding group. Such elected representatives will be presented to the NAESB Board for acceptance as representatives of the RGQ, and acceptance by the

255 Board will place all the requirements and restrictions of these Procedures upon those individuals.  
256 Subsequent elections to fill vacant seats, as necessary, will be held each month until all seats are filled.

257 **Section 19.3 Balanced Voting During the Transition Period**

258 **A. Transitional Voting Multiplier**

259 Recognizing that the RGQ Segments might fill their allotted Board and EC seats at varying rates, a  
260 Transitional Voting Multiplier mechanism will be used to ensure balanced voting between Segments until  
261 all Board and EC seats are filled.

262 1. The Transitional Voting Multiplier shall be calculated for each RGQ Segment by dividing the  
263 number of populated seats in the largest REQ Segment by the greater of the number of seats  
264 populated in each of the other RGQ Segments.

265 The following example is used to illustrate this: A given RGQ Segment populates three seats,  
266 while the largest RGQ Segment in this case populates six. To determine the Transitional  
267 Voting Multiplier for the smaller RGQ Segment in this example, the number of seats in the  
268 largest RGQ Segment (which in this case is 6) would be divided by the number of seats  
269 populated in the smaller Segment (which is 3 in this case) to arrive at 2.00 as the Transitional  
270 Voting Multiplier for the smaller REG Segment in this case.

271 2. The Transitional Voting Multiplier for each Segment will be recalculated as each additional  
272 vacant seat is filled by the Quadrant on the Board or the EC.

273 3. Once each of a Segment's seats on the Board or the EC has been populated at least once, the  
274 Transitional Voting Multiplier will no longer be needed or used for either the Board or EC  
275 (whichever applies). Subsequent vacancies on the Board or the EC will not re-institute use of  
276 the Transitional Voting Multiplier mechanism.

277 **B. Application**

278           When non-procedural votes are tallied at NAESB Board or EC meetings, each of the voters  
279 present will have their votes weighted by the Transitional Voting Multiplier applicable to that voter’s RGQ  
280 Segment. Where applicable, NAESB balanced voting rules will be applied after votes have been  
281 weighted. Thus in the example given in Section 19.3(A), if all three representatives from the smaller RGQ  
282 Segment vote, the tally of their votes would be 6.

283           **C. Limitation on Transitional Voting Multiplier**

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