



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

**North American Energy Standards Board
Board of Directors Meeting
June 28, 2002**



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

TABLE OF CONTENTS

- Tab 1. Welcome & Opening Remarks**
- Meeting Announcement
 - Members of the Board of Directors & Terms
 - Antitrust Guidelines
 - Agenda
- Tab 2. Draft Minutes of March 7, 2001**
- Tab 3. Quadrant Formation Documents.**
- Wholesale Electric Quadrant Procedures
 - May 16 FERC Order
 - Technical Advisory Council
 - Membership Dues
- Tab 4. Draft NAESB-NERC Letter of Intent**
- LOI as currently drafted
 - FERC Communication to NERC
 - Comments
- Tab 5. NAESB Annual Plans**
- Update on Wholesale Gas Quadrant 2002 Plan
 - Review and Approval of Retail Electric Quadrant 2002-2003 Plan
- Tab 6. Parliamentary Committee**
- Tab 7. Finance Reports**
- Current Year Financials
- Tab 8. Membership Report**
- Current Year Membership Roster: Wholesale Gas and Retail Electric Quadrants
 - Letters of Intent for Wholesale Electric and Retail Gas Quadrants



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

1. WELCOME AND OPENING REMARKS

- The meeting specifics are:

WHERE: Museum of Flight
9404 East Marginal Way South
Seattle, Washington 98108

WHEN: Friday, June 28, 2002
9:00 a.m. to 1:00 p.m. Pacific

Please feel free to call (713-356-0060) if you have any questions or comments, or additions to the agenda. The materials are posted on the NAESB Home Page in the "Board of Directors" area for attendees to download.

- For further assistance please reach:
Veronica Thomason at (713) 356 - 0060
- The officers presiding over the Executive Committee meeting are:
Bill Boswell - Chairman and CEO
Rae McQuade - Executive Director, COO & Secretary
- The legal representation for GISB is provided by:
Jay Costan - GISB General Counsel



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1. ANTITRUST GUIDELINES

- NAESB General Counsel Jay Costan will review the antitrust guidelines. The points are:

Antitrust guidelines direct meeting participants to avoid discussion of topics or behavior that would result in anti-competitive behavior including: restraint of trade and conspiracies to monopolize, unfair or deceptive business acts or practices, price discriminations, division of markets, allocation of production, imposition of boycotts, and exclusive dealing arrangements.



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JUNE 28, 2002**

1. ADOPTION OF AGENDA

- The proposed agenda, attached, has been distributed and is available on NAESB's home page.
- The members of the Board of Directors are requested to review the agenda, suggest changes if needed, and vote to adopt the agenda.



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com

Home Page: www.naesb.org

June 7, 2002

TO: NAESB Board of Directors
FROM: Rae McQuade, NAESB Executive Director
RE: NAESB Board of Directors Meeting, June 28, 2002

As noted at our last Board meeting on March 7, our second Board meeting in 2002 will be held on Friday, June 28 from 9:00 a.m. to 1:00 p.m. at the Museum of Flight in Seattle, Washington. The meeting specifics are below, and draft agenda follows.

WHERE: Museum of Flight
9404 East Marginal Way South
Seattle, Washington 98108

WHEN: Friday, June 28, 2002
9:00 a.m. to 1:00 p.m. Pacific

A printed copy of the materials for the meeting will be provided shortly to the Directors, and will be posted on the NAESB Home Page in the "Board of Directors" area for attendees to download. This meeting, as with all NAESB meetings, is open for attendance by any interested party. Should you wish to participate via conference call, please call the NAESB office for instructions (713-356-0060).

Please confirm your attendance to the NAESB office (713-356-0060, naesb@aol.com) by June 24, to ensure adequate meeting planning.

Please feel free to call the NAESB office should you have any questions or comments. We look forward to seeing you at the Board meeting.



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NORTH AMERICAN ENERGY STANDARDS BOARD OF DIRECTORS MEETING

Boeing Museum of Flight, Seattle, Washington

Friday, June 28, 2002 -- 9:00 a.m. to 1:00 p.m. Pacific Time

DRAFT AGENDA

- | | |
|------------|---|
| 9:00 a.m.. | <ol style="list-style-type: none">1. Welcome & Administrative Items<ul style="list-style-type: none">• Antitrust Guidelines• Agenda Adoption• Welcome to New Board Members2. Adoption of Minutes from March 7, 20023. Quadrant Formation Activities<ul style="list-style-type: none">• Wholesale Electric Quadrant Procedures and FERC 5-16-02 Order4. Review of and possible vote regarding the NAESB-NERC Letter of Intent5. Annual Plans<ul style="list-style-type: none">• Update on 2002 WGQ Plan• Discussion and Vote to Adopt 2002/2003 REQ Plan6. Parliamentary Committee<ul style="list-style-type: none">• Appointment of Committee members• Discussion and Vote on if GISB Operating Practices should serve as preliminary NAESB Operating Practices with conforming changes from "GISB" to "NAESB" until the committee has had an opportunity to review the practices7. Finance Report8. Membership Report |
| 11:00 a.m. | <ol style="list-style-type: none">9. Other Business |
| 11:30 a.m. | <ol style="list-style-type: none">10. Executive Session of Board members only<ul style="list-style-type: none">• Compensation and Benefits |
| Noon | <ol style="list-style-type: none">11. Adjourn, Lunch Served from noon to 1:00 p.m. |
-



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NAESB BOARD OF DIRECTORS MEETING – JUNE 28, 2002
Museum of Flight, Seattle, Washington
Friday, June 28, 2002 – 9:00 a.m. to 1:00 p.m. Pacific Time

LOCATION INFORMATION – HOTELS

Washington - Seattle / Airport, closest to the Museum of Flight

Wyndham Garden SeaTac Airport
18118 Pacific Hwy S

Marriott Sea-Tac Airport
3201 South 176th Street

Hilton Seattle Airport and
Conference Center
17620 Pacific Hwy South

Hawthorn Suites Sea-Tac
19621 International Blvd.

Doubletree Hotel Seattle Airport
18740 International Blvd.

Homewood Suites Sea-Tac Int'l Airport -
Tukwila
6955 Fort Dent Way
Hampton Inn Seattle Southcenter
7200 S 156th St

Homestead South Center Seattle
15635 W. Valley Hwy.

Doubletree Guest Suites Seattle
16500 Southcenter Pkwy

Courtyard Seattle/ Sea-Tac Area
16038 West Valley Highway

Courtyard Seattle South Center
400 Andover Park West

Residence Inn Seattle-South/Tukwila
16201 West Valley Highway

Downtown hotels. They are about 20 miles from the meeting place.

W Seattle Hotel
1112 Fourth Ave

The Westin Seattle
1900 5th Ave

Sheraton Seattle Hotel & Towers
1400 6th Ave

Residence Inn Seattle – Lake Union

Homewood Suites Seattle
Downtown
206 Western Ave W

Hampton Inn & Suites Seattle
Downtown
700 Fifth Avenue

Four Seasons Olympic Hotel
411 University St

Elliott Grand Hyatt Seattle
721 Pine Street

Crowne Plaza Seattle Downtown
1113 6th Avenue

Courtyard Seattle Downtown -
Lake Union
925 Westlake Avenue North

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NORTH AMERICAN ENERGY STANDARDS BOARD 2002 BOARD TERMS - Wholesale Gas Quadrant

| END USER SEGMENT | | TERM END: |
|-------------------------|--|------------------|
| Jonathan Puckett | Director of Control Operations, Duke Energy North America. | Dec 31, 2004 |
| Joe Stepenovitch | Vice President, Energy Marketing & Trading, Florida P&L | Dec 31, 2004 |
| John Procario | Vice President & COO, Cinergy | Dec 31, 2004 |
| Janie Mitcham | Vice President, Fuel and Energy Management, Reliant Energy | Dec 31, 2002 |
| Jim Templeton | Principal, Comprehensive Energy Services | Dec 31, 2002 |
| LDC SEGMENT | | TERM END: |
| Bill Boswell | Assistant Secretary, Dominion | Dec 31, 2004 |
| Adrian Chapman | Vice President, Regulatory Affairs & Energy Acquisitions, Washington Gas Light Company | Dec 31, 2004 |
| Reed Horting | Vice President, Gas Supply & Transportation, PECO Energy Co. | Dec 31, 2004 |
| Walt DeForest | Senior Vice President, National Fuel Gas Distribution | Dec 31, 2002 |
| Lee Stewart | President, Energy Transportation Services, Southern California Gas Co | Dec 31, 2002 |
| PIPELINE SEGMENT | | TERM END: |
| Terry McGill | Enbridge Energy Company, Inc. | Dec 31, 2004 |
| John Somerhalder | President, El Paso Energy Pipeline Group | Dec 31, 2004 |
| Shelley Corman | Vice President, Enron Transportation Services Company (Transwestern) | Dec 31, 2004 |
| Ron Mucci | Senior Vice President Shared Services, Williams Gas Pipeline | Dec 31, 2002 |
| Richard Kruse | Senior Vice President, Duke Energy Gas Transmission | Dec 31, 2002 |
| PRODUCER SEGMENT | | TERM END: |
| | VACANCY | Dec 31, 2004 |
| Allan Knopp | Manager, Regulatory Affairs, Conoco Gas and Power | Dec 31, 2004 |
| | VACANCY | Dec 31, 2004 |
| Randy Mills | Regulatory Manager, ChevronTexaco | Dec 31, 2002 |
| Stan Hemmeline | Manager, North America - West, ExxonMobil Gas Marketing Company | Dec 31, 2002 |
| SERVICES SEGMENT | | TERM END: |
| Sylvia Munson | CIO, PanCanadian Energy Services (PanTech) | Dec 31, 2004 |
| Greg Lander | Principal, CapacityCenter.com | Dec 31, 2004 |
| Rick Lentz | Principal, Tatum CIO | Dec 31, 2002 |
| Lyn Maddox | President & CEO, PG&E Energy Trading | Dec 31, 2002 |
| Marty Patterson | Senior Vice President, IDACORP Energy | Dec 31, 2002 |

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NORTH AMERICAN ENERGY STANDARDS BOARD 2002 BOARD TERMS - Retail Electric Quadrant

| DISTRIBUTOR SEGMENT | | TERM END: |
|----------------------------|--|------------------|
| Dave Koogler | Director of Billing and Customer Choice, Dominion Virginia Power (SERC NERC Region). | Dec 31, 2005 |
| Bill Bourbonnais | Manager Rates and Economic Evaluation, Wisconsin Public Service Corporation (MAIN NERC Region) | Dec 31, 2005 |
| Johnny Magwood | Vice President Customer Services, Baltimore Gas and Electric Company | Dec 31, 2004 |
| Leonard Haynes | Senior Vice President Marketing, Georgia Power Company (SERC NERC Region) | Dec 31, 2004 |
| END USER SEGMENT | | TERM END: |
| Sonny Popowsky | Pennsylvania Office of Consumer Advocate | Dec 31, 2005 |
| VACANCY | | Dec 31, 2005 |
| VACANCY | | Dec 31, 2004 |
| VACANCY | | Dec 31, 2004 |
| SERVICES SEGMENT | | TERM END: |
| Misty Ann Khan | Vice President, Telerx Marketing, Inc. | Dec 31, 2005 |
| Stacey Park | Director, The Structure Group | Dec 31, 2005 |
| J Cade Burks | President, EC Power | Dec 31, 2004 |
| John Williams | Chief Executive Officer and Co-founder, 8760. | Dec 31, 2004 |
| SUPPLIER SEGMENT | | TERM END: |
| Helen Burt | Vice President, Customer Operations and Billing, TXU Energy | Dec 31, 2005 |
| Waters Davis | President, Reliant Energy Retail Services | Dec 31, 2005 |
| George Phillips | Manager Regulatory Support, MidAmerican Energy | Dec 31, 2004 |
| Richard Zelenko | General Manager, Dominion Retail Inc. | Dec 31, 2004 |

OFFICERS: Bill Boswell is CEO and 2002 chairman of the Board of Directors. Rae McQuade as Executive Director serves as Secretary and COO.



**NORTH AMERICAN ENERGY STANDARDS BOARD
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JUNE 28, 2002**

2. ADOPTION OF MINUTES

- **BACKGROUND:** The minutes of March 7, 2002 are posted on the home page for review and are included in these materials for vote to adopt.
- **ACTION:** The members of the Board of Directors are requested to review the draft minutes, suggest additional changes if needed, and vote to adopt as minutes of the meeting.



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TO: NAESB Board of Directors, Posting for Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Draft Minutes from the NAESB Board of Directors Meeting – March 7, 2002
DATE: March 7, 2002

NORTH AMERICAN ENERGY STANDARDS BOARD NAESB BOARD OF DIRECTORS MEETING

**American Gas Association Offices, Washington D.C.
March 7, 2002**

DRAFT MINUTES

1. Opening Remarks

Mr. Boswell opened the Board of Directors meeting and welcomed the Board members, speakers and observers to the meeting. The antitrust charge was given by Mr. Costan. The agenda was adopted with no changes.

2. Adoption of Minutes

The minutes of the December 5, 2001 as presented in the meeting materials were adopted with changes to reflect attendance of Shelley Corman, Lee Stewart and John Procario. There was discussion on how the deferred items for governance changes would be maintained. A list is under development which itemizes possible issues for consideration by the Parliamentary Committee. The Parliamentary Committee will be convened after at least three quadrants are represented on the Board. The Parliamentary Committee will make recommendations on certificate and bylaws changes.

3. Quadrant Formation Activities

Retail Electric Quadrant (REQ) Activities:

Mr. Driggs presented the retail electric quadrant procedures. An updated version was provided in supplemental documents. The segment procedures are under development. By the June board meeting, it is hoped that REQ Board members will be elected and segment procedures completed. There is coordination between the REQ and the Retail Gas Quadrant (RGQ) formation activities. Issues were presented by Mr. Driggs for Board response, and were included in the supplemental materials. Mr. Driggs also reviewed the request by groups representing residential customers for NAESB promotional membership dues. Mr. Costan noted that there were no inconsistencies between the REQ Quadrant Procedures and the NAESB certificate and bylaws. For the Board and Executive Committee (EC) structure, the REQ will have four members per segment on the Board and Executive Committee as an initial position to facilitate start-up, and that after the quadrant has been in operation for some time, the quadrant may determine that additional members per segment may be needed. Ms. McQuade noted that the NAESB Chart of Accounts has been set up to account for revenues and expenses by quadrant, which would then be reported as such to the Board. The Board



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also votes to adopt the annual plans of the quadrants, which governs their activities. If the Board determines that inequities exist, it can take appropriate actions either through the budgetary process or through the control of the annual plans. RGQ and REQ are not consistent in certain sections – however, the Board can only choose not to approve the procedures if they are inconsistent with the NAESB organization bylaws and certificate. The motion was made by Mr. Lentz and seconded by Mr. Hawks on behalf of Mr. Maddox for the NAESB Board to accept the REQ procedures as presented:

RESOLVED, that the Board of Directors of NAESB accepts the Quadrant Procedures for the Retail Electric Quadrant of NAESB attached hereto as Exhibit A [provided in Board supplemental materials, attached to these minutes], which shall be appended to the Bylaws of NAESB as an Exhibit, provided that by May 7, 2002, the Retail Electric Quadrant satisfies the membership requirements set forth in Section 2.3 of the Bylaws.

The vote was 22 in favor out of a possible 24. There were no opposing votes. Ms. Mitcham and Mr. Lander were not present and did not provide ballots prior to the meeting. Mr. Driggs was thanked for his significant efforts to bring these procedures and industry consensus regarding the REQ.

Retail Gas Quadrant (RGQ) Activities:

Ms. Arnaut reviewed the retail gas quadrant procedures and the process used to draft the document. They also expect to have elections held for Board seats prior to the June Board meeting. Clarifying questions were asked on the retail gas quadrant. The pipelines would be part of the RGQ supplier segment. The REQ and RGQ both have four segments, but the REQ has four members per segment on the Board and EC, and the RGQ has six members per segment on the Board and the EC. The motion was made by Mr. DeForest and seconded by Mr. Chapman to accept the REQ procedures was made as noted in the Board materials with a modification that the Board is accepting the procedures rather than approving the procedures:

RESOLVED, that the Board of Directors of NAESB accepts the Quadrant Procedures for the Retail Gas Quadrant of NAESB attached hereto as Exhibit A [provided in the Board supplemental materials, attached to these minutes], which shall be appended to the Bylaws of NAESB as an Exhibit, provided that by May 7, 2002, the Retail Gas Quadrant satisfies the membership requirements set forth in Section 2.3 of the Bylaws

The vote was 22 in favor out of a possible 24. There were no opposing votes. Ms. Mitcham and Mr. Lander were not present and did not provide ballots prior to the meeting. Mr. Maassel and Ms. Arnaut were thanked for their significant efforts to bring these procedures and industry consensus regarding the RGQ.

Promotional Dues for Groups Representing Residential Customers:

It was noted that it may be premature to give promotional dues to residential customers as part of the end user segments of the retail quadrants. A flat amount for promotional dues may be less effective than a discounted dues structure based on size. It was also noted that “first-come first-serve” may not be the most appropriate mechanism for gaining regional coverage. It may be more appropriate to have an open season for promotional dues. The resolution should be broad enough to cover residential groups – not just state consumer advocate offices. There should be a limit added to overall segment percentage populated by the promotional dues members and possibly a limit to the number of board seats and EC seats held. One alternate was noted that a fund could be allocated to be divided equally among the applicants for the end



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user segment. If more than three note that they want to join, then they would decide among themselves who would join as members. After discussion and modification of the resolution, Mr. Chapman moved, which was seconded by Mr. Hawks on behalf of Mr. Maddox to:

RESOLVED, NAESB authorizes promotional dues of \$500 per year for up to three voting memberships for the End User Segments of each of the Gas and Electric Retail Quadrants. Such promotional dues shall expire on December 31, 2003, and shall be available only to state consumer advocates or similar entities that represent end user customers. Each affected Quadrant shall determine the number of such promotional dues memberships, up to three per Quadrant. An open season shall be conducted, to close on April 15, 2002, to solicit interest by qualifying consumer advocate representatives through letters of intent. If promotional dues are sought by more than the allowed number of eligible representatives, the representative shall select from among themselves who shall be permitted voting membership(s). In no case shall such members permitted to occupy more than one seat on the Board and Executive Committee of each of the affected Quadrants.

There was no opposition to the above motion. The motion passed with 22 votes in favor.

Wholesale Electric Quadrant Activities:

Mr. Boswell provided an update. The North American Electric Reliability Council (NERC) has decided not to develop business practice standards. Mr. Boswell and Mr. Drouin, chairman of the NERC Board of Trustees have been discussing a Memorandum of Understanding between NERC and NAESB regarding coordination between the two organizations, with the realization that each standard development may have components that are market-based (business practices) and reliability-based. The FERC has requested comments by March 15 regarding the creation of a standards organization for business practices for the wholesale electric quadrant, and in particular for standard market design. NAESB will not take a position on the comments prepared.

4. Sandia Report

Mr. Spangler reviewed the noted Sandia report. There was no opposition from the Board to sending the report on to the Department of Energy, once the ratification process is complete.

5. 2002 Annual Plan

Mr. Buccigross addressed 2002 Annual Plan for the wholesale gas quadrant. He noted that the item for the development of the base contract is completed with the exception of credit worthiness to be considered as a separate addendum. The provisional item of the plan regarding partial day recalls was added to the annual plan as the FERC issued an order, docket no. RM96-01-019.

6. Finance Report

Ms. McQuade and Ms. Wishart reviewed the financial statements for year-end 2001 and for the actual report through January. There was no discussion.



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7. Membership

Ms. McQuade presented the membership report. The organization has lost 11 members, which is typical for January, when most members are invoiced for dues for the current year. Ms. Garcia is working with several groups to make up for the lost membership.

8. Other Business and Adjournment

Mr. Boswell thanked all who contributed to the effort to move to an energy standards board. He noted that there will be an executive session at the next meeting to discuss compensation issues. Mr. Templeton was asked to prepare a recommendation for the session.

The meeting adjourned at 4:37 p.m.



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9. Attendance and Voting Record

| Segment | Board Member | Member Company | Attending | V1 | V2 | V3 |
|--------------------------------------|------------------|--------------------------------|---------------------|----|----|----|
| End Users | Janie Mitcham | Reliant Energy | Phone ¹ | Y | Y | Y |
| | Paul Karns | Florida Power and Light | Present | Y | Y | Y |
| | J.D. Puckett | Duke Energy | Ballot | Y | Y | Y |
| | John Procaro | Cinergy | Present | Y | Y | Y |
| | Jim Templeton | Comprehensive Energy Services | Present | Y | Y | Y |
| LDCs | Bill Boswell | CNG (Dominion) | Present | Y | Y | Y |
| | Walt DeForest | National Fuel Gas Distribution | Present | Y | Y | Y |
| | Adrian Chapman | Washington Gas and Light | Present | Y | Y | Y |
| | Reed Horting | PECO Energy | Present | Y | Y | Y |
| | Lee Stewart | SoCal Gas | Phone | Y | Y | Y |
| Pipelines | John Somerhalder | El Paso Natural Gas | Ballot | Y | Y | Y |
| | Shelley Corman | Enron Transportation Group | Phone | Y | Y | Y |
| | Terry McGill | Enbridge - Kansas Pipeline | Present | Y | Y | Y |
| | Ron Mucci | Williams Gas Pipeline | Phone | Y | Y | Y |
| | Richard Kruse | Duke Energy Gas Transmission | Phone | Y | Y | Y |
| Producers | Stan Hemmeline | ExxonMobil | Phone | Y | Y | Y |
| | Allan Knopp | Conoco | Phone | Y | Y | Y |
| | VACANCY | | Vacancy | | | |
| | Nancy Laird | PanCanadian | Ballot | Y | Y | Y |
| | Randy Mills | ChevronTexaco | Present | Y | Y | Y |
| Services | Rick Lentz | Tatum CIO Partners | Present | Y | Y | Y |
| | Sylvia Munson | PanCanadian Energy(PanTech) | Present | Y | Y | Y |
| | Greg Lander | CapacityCentral.com | Ballot ² | Y | Y | Y |
| | Lyn Maddox | PG&E Energy Trading | Ballot | Y | Y | Y |
| | Marty Patterson | Idaho Power | Phone | Y | Y | Y |
| Total Affirmative Votes | | | | 24 | 24 | 24 |
| Did the Motion Pass? | | | | Y | Y | Y |
| Does it require member ratification? | | | | N | N | N |

Votes: V1 - acceptance of the REQ procedures, V2 - acceptance of the RGQ procedures, V3 - adoption of a promotional dues program for the two retail quadrants. Some of the votes were recorded after the meeting, when balloted language could be updated.

¹ Ms. Mitcham joined the meeting late and noted her support for the first two votes taken.
² Mr. Lander's ballot was provided after the Board meeting began.



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Presenters: Jim Buccigross Chairman 2002 Executive Committee
Leigh Spangler NAESB EDM Subcommittee Chairman
Mariam Arnaout AGA, presenting for RGQ
Charlie Driggs Conectiv, presenting for REQ

NAESB: Rae McQuade Executive Director
Veronica Thomason Office Manager
Jay Costan McGuireWoods, General Counsel
Laurie Paulson Hoffman Paulson Associates
Cheryl Hoffman Hoffman Paulson Associates
Darla Wishart Checks and Balances (phone)

| Observer | Company Represented | In Person |
|-------------------|---------------------------------|-----------|
| Mariam Arnaout | American Gas Association | Yes |
| Yvette Camp | Southern Company | Yes |
| Dolores Chezar | KeySpan Energy | Yes |
| Dale Davis | Williams Gas Pipeline | Yes |
| Alex DeBoissiere | Cinergy | Yes |
| Charlie Driggs | Conectiv - UBP RSB Organization | Yes |
| Mark Gracey | Tennessee Gas Pipeline | Yes |
| Theresa Hess | Enron Transportation Services | Yes |
| Ruth Kiselewich | BG&E | Yes |
| Mike Novak | National Fuel Gas Distribution | Yes |
| Keith Sappenfield | PanCanadian | Yes |
| Mark Scheel | Dynegy Inc. | Yes |
| Leigh Spangler | Latitude Technologies | Yes |
| David Sweet | IPAA | Yes |
| Julie Unruh | Reliant Energy | Yes |
| Kim Van Pelt | CMS Panhandle Eastern Pipe Line | Yes |
| Carol Busto | Dominion | Yes |



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

3. QUADRANT FORMATION ACTIVITIES

- **BACKGROUND:** The Retail Gas (RGQ) and Wholesale Electric Quadrants (WEQ) have been meeting to discuss formation activities:
 - The RGQ has been in a membership drive and has been forming a recommended annual plan for 2002-2003 (attached).
 - The WEQ has been meeting to determine the segment structure (5 segments are proposed), whether sub-segments will be defined by the quadrant, and the number of seats a segment will hold on the Board and on the Executive Committee. The most recent meeting was held on June 20-21 in Columbus, (report of decisions attached).
 - The Commission has issued a May 16, 2002 Order on Guidance, following the comments filed on March 15. (attached)
- The listing of the letters of intent is included for both quadrants in the membership section (Tab 8).
- **ACTION:** The Board will be asked to review and approve a status report from NAESB to the FERC to be sent on July 1 regarding WEQ activities to date. The report is in the process of being written, and should include the results of the NAESB WEQ meeting held on June 20 and 21 in Columbus, Ohio. A draft report will be forwarded to you prior to the Board meeting.
- **BACKGROUND:** The WEQ currently has identified five segments. Representatives of the ISOs/RTOs and RROs wish to have an independent voice to address reliability and related market design efficiency issues. FERC is supportive of a role for these specialized entities. The role they may wish to discharge is that of an advisory group to the subcommittees and Executive Committee on the indicated matters. Response to any reviews would be approved by the Board of Directors in the same manner as response to the Department of Energy on Sandia reviews. This role would not preclude them from joining WEQ segments in which they have legitimate business interests.
- **ACTION:** The Board may be asked to approve a motion creating a technical advisory council consisting of representatives selected by the



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BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

RTOs/ISOs and RROs, whose function will be to advise the WEQ EC and its subcommittees and task forces regarding reliability and related market design efficiency issues. Responses to the technical advisory council would require Board approval.

- **BACKGROUND:** Up to this point, members executing letters of intent have been invoiced for dues upon Board approval of quadrant procedures and the quadrant reaching the threshold of forty members and a minimum of five members per segment. This has been done as a courtesy.
- **ACTION:** The Board will be asked to authorize the Executive Director to invoice those executing letters of intent at the time of execution.

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Via email and posting

TO: Retail Gas Quadrant Prospective Members and Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Retail Gas Quadrant Request for Comments
DATE: June 13, 2002

Attached please find a draft "strawman," or proposal, outlining topics under consideration for the RGQ 2002-2003 Annual Plan. As you probably know, the first step in developing NAESB model business practices and standards is for each industry quadrant to prepare an annual plan identifying the items to be worked on by NAESB through year-end 2003. The quadrant annual plans are used by the NAESB Board to determine how resources will be expended during a given year and to focus the efforts of the Executive Committee and its subcommittees in developing model business practices and standards.

A task force of participants interested in the Retail Gas Quadrant (RGQ) began the process of crafting such a plan by conducting a survey this past May, soliciting input from a cross-section of the retail natural gas industry—including suppliers, distributors, end users, service providers, and regulators. Survey respondents were asked to associate each of the eleven proposed line items with a relative priority level (e.g. High, Medium, Low, or Do Not Address). They were also asked to comment on each of the categories and to contribute additional line items for consideration. Several of you have completed the survey. The task force has compiled and reviewed those responses, and the NAESB office has posted the individual responses as well as compiled results on its web site.

Based on the survey results, the Annual Plan Task Force has developed the attached STRAWMAN proposal for the 2002-2003 RGQ annual plan. The Task Force recognizes that while the survey was distributed to numerous entities representing a broad cross-section of industry stakeholders, the relatively small number of responses may not be representative of all interested industry segments. Accordingly, the RGQ Annual Plan Task Force is seeking comment and input on the attached "strawman proposal" to ensure that the views of a broader group of interests are represented. Your comments will be used to formulate a final recommendation on the 2002-2003 RGQ Annual plan, a high-level plan intended to provide direction to the RGQ on work priorities once the RGQ is established and running. The final recommendation for the plan will be presented to the NAESB Board of Directors for approval, but not before a viable Retail Gas Quadrant—with a total of at least forty members and a minimum of five per Segment—is established and not before its representatives are seated on the NAESB Board of Directors.

Please review the proposal and provide your comments to the NAESB office via e-mail (naesb@aol.com) by **Thursday, June 20, 2002**. All comments received by the NAESB office will be posted on the web site and forwarded to the RGQ Annual Plan Task Force members for their consideration. If you have difficulty retrieving this document, please call the NAESB office at (713) 356-0060.

Best Regards,

Rae McQuade

cc: Jay Costan

North American Energy Standards Board

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Background:

A group of interested participants in the Retail Gas Quadrant conducted a survey in May, soliciting input from a cross-section of the retail natural gas industry—including suppliers, distributors, end users, service providers, and regulators. Survey respondents were asked to associate each of the eleven proposed line items with a relative priority level (e.g. High, Medium, Low, or Do Not Address). They were also asked to comment on each of the categories and to contribute additional line items for consideration. The task force has compiled and reviewed those responses, and the NAESB office has posted both responses and compiled results on its web site.

Based on those survey results, the Task Force has categorized the eleven line items that were included in the survey into three categories: 1) High Priority Activities (or action items); 2) Medium Priority Activities; and 3) Low Priority Activities, as represented in the table below. These categories reflect the priority level at which the work will be done, rather than whether or not the work will be carried out. While the bulk of quadrant resources would be focused towards higher priority items, this does not mean no work could be started on lesser priority issues, for example, before high-priority action items are completed.

The rankings to the left of each line item in the table below represent the relative priorities assigned by survey respondents, and are included here because they were used to determine the priority category of each item. The rankings do not constitute a definitive order in which the work will be carried out. Also, survey respondents have contributed a number of additional line items to be considered for the annual plan. These have been categorized as “Provisional Activities”— which means that those action items were not voted on by other respondents to the survey and would only be tackled if determined to be appropriate for the annual plan and if time and resources allow it during the 2002-2003 timeframe. Please follow the steps below:

- 1. Provide your comments on each of the line items by indicating whether or not you agree with their priority level and why.**
- 2. Assign a priority level (High, Medium, Low, or Do Not Address) for each of the action items included in the “Provisional Activities” section.**
- 3. If you have other comments and input, including other action items you would like to suggest, please provide those in the “Other Comments” section at the bottom of this document.**
- 4. Complete the “Contact Information” section.**
- 5. Save this Read-only file under a different name. Suggested naming format:**
“RGQAPS-ABBREVIATED_COMPANY_NAME”. e.g. RGQAP-DYNEGY; RGQAP-PPLSOL; RGQAP-BGE; RGQAP-KEYSPAN; RGQAP-OHOCC; RGQAP-PAPUC and so on.
- 6. By Thursday, June 20, 2002, return the completed document to the NAESB office via e-mail (naesb@aol.com).**

THANK YOU.

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NORTH AMERICAN ENERGY STANDARDS BOARD SEEKS INDUSTRY COMMENT ON THE

Strawman for Retail Gas Quadrant 2002-2003 Annual Plan - **DRAFT**

| Action Item, Description and Priority Category | Completion Quarter | Subcommittee Assignment |
|--|-----------------------|----------------------------|
| High Priority Activities | | |
| 1 Creditworthiness | | |
| <i>Develop practices for Distributors extending commercial credit to Suppliers to cover financial risk.</i> | | |
| <u>Comments:</u> | | |
| 2 Inventory Existing Natural Gas Practices within States | | |
| <i>Conduct inventory of existing natural gas practices in various states.</i> | | |
| <u>Comments:</u> | | |
| 3 Examine Wholesale Gas Quadrant EDM Standards | | |
| <i>Review NAESB Wholesale Gas Quadrant's (formerly known as GISB) "Electronic Delivery Mechanisms" manual to determine whether the standards within should be modified and/or adopted for use in the Retail Gas Quadrant.</i> | | |
| <u>Comments:</u> | | |
| 4 Examine Wholesale Gas Quadrant Non-EDM Standards | | |
| <i>Review NAESB Wholesale Gas Quadrant's other manuals to determine whether the standards within should be modified and/or adopted for use in the Retail Gas Quadrant (i.e. review "Nominations," "Flowing Gas," "Invoicing," "Capacity Release," and "Contracts" manuals.).</i> | | |
| <u>Comments:</u> | | |
| 5 Supplier Licensing | | |
| <i>Develop practices for licensing Suppliers with state utility commissions and for registering Suppliers with Distributors (e.g. application process and requirements).</i> | | |
| <u>Comments:</u> | | |

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Action Item, Description and Priority Category

Completion Quarter Subcommittee Assignment

Medium Priority Activities

6 Customer Enrollment, Switching & Dropping

Develop practices for submitting and receiving, processing and fulfilling a customer's request to enroll with or leave a Supplier (including Suppliers dropping customers).

Comments:

7 Billing & Payment

Develop practices for billing customers; remittance to parties providing services to customers under different billing options (e.g. dual or consolidated bills; rate-ready or bill-ready); and payment between Distributor and Supplier under different payment options (e.g. assumption of receivables, pay-as-you-get-paid).

Comments:

8 Customer Information

Develop practices for the release, collection, exchange and maintenance of customer information between Distributors and Suppliers, such as customer authorization, pre-enrollment information, customer lists, enrollment information and post-enrollment information.

Comments:

9 Customer Inquiries

Develop procedures for responding to customer inquiries directed to Distributors and/or Suppliers and for notifying the other party, such as inquiries involving switching and enrollment/disenrollment, billing, customer account changes, customer disputes and distribution emergencies.

Comments:

Low Priority Activities

10 Market Participant Interactions

Develop model practices to support interactions between Distributors and Suppliers, such as governing documents that establish the legal relationship, roles and obligations, including performance standards, of both Distributor and Supplier (e.g. content and framework of governing documents or orders, Master Service Agreement, operational manuals, and so on).

Comments:

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| Action Item, Description and Priority Category | Completion Quarter | Subcommittee Assignment |
|---|-------------------------------|------------------------------------|
|---|-------------------------------|------------------------------------|

11 Utility-Supplier Disputes

Develop dispute resolution procedures to resolve differences between Distributors and Suppliers, which would be included in the governing documents.

Comments:

Provisional Activities

Balancing and Scheduling

How to account for differences between actual usage and third party deliveries. How imbalances will be resolved.

Comments:

Customer Service Characteristics

Develop procedures and protocols for communicating the nature & level of a customer's service as human needs, firm, interruptible, critical needs, and/or building protection for emergency services.

Comments:

Examine Retail Electric Quadrant EDM Standards

Review NAESB Retail Electric Quadrant's "Electronic Delivery Mechanisms" manual to determine whether the standards within should be modified and/or adopted for use in the Retail Gas Quadrant.

Comments:

Internet Bulletin Board "Informational Posting" Standards

Develop a standard "Look and Feel" for delivery service provider's Internet Bulletin Board posting of information related to delivery services for customers and suppliers in competitive retail markets. [Revise the latest version of the NAESB EDM manual to incorporate utilities as delivery service providers in addition to the existing interstate natural gas pipelines.]

Comments:

LDC Operational Notices

Develop procedures and timeframes for transmitting notices regarding local operational conditions—such as maintenance-induced restrictions, curtailments or flow orders.

Comments:

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Action Item, Description and Priority Category

Completion Quarter Subcommittee Assignment

VEE for Retail Consumer Meter

Develop standards for Validation, Editing and Estimation (VEE) of meter data used for utility and supplier billing activities including practices for issuance of restatement of prior periods and a maximum time limit for restatements.

Comment:

Other Comments

CONTACT INFORMATION

| | |
|------------------|--|
| Name | |
| Title | |
| Company | |
| Telephone | |
| Fax | |
| E-mail | |

PLEASE RETURN BY THURSDAY, JUNE 20, 2002 TO THE NAESB OFFICE VIA E-MAIL (NAESB@AOL.COM). COMMENTS WILL BE POSTED ON THE NAESB WEB SITE AT <http://www.naesb.org>.



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North American Energy Standards Board WEQ Preliminary Decisions

Segments Identified (5/9/02):

- Transmission
- Generation
- Marketers/Brokers
- Distribution/Load Serving Entities
- End Users

Segment Definitions (5/9/02 and 5/29-30):

- **Transmission:** Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.
- **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.
- **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.
- **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.
- **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.

Preparation of Quadrant Procedures for Board Approval: (6/20/02):

- The WEQ Formation group will wait to confirm the report to go forward to the NAESB Board of Directors until the following items are complete: the segment model, segment definitions, identification and definitions of sub-segments that the quadrant supports, the number of seats per segment and sub-segment on the WEQ EC and Board, and the process for selecting segment and sub-segment representatives to the EC and Board.

Definition of Sub-segments (6/20/02):

- Let the segments recommend sub-segments to the WEQ formation group for approval. The WEQ formation group will provide principles to be used by the segments in recommending sub-segments. The principles should include balance and equitable representation.

Principles to be used in recommending sub-segments (6/21/02):

- (1) No single business interest can by itself pass a standard.
- (2) All appropriate interests are represented.
- (3) No sub-segment may alone block action.



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North American Energy Standards Board WEQ Preliminary Decisions

Next steps in recommending sub-segments (6/21/02):

- Charge a smaller representative group or groups of interested parties to develop a proposal for defining sub-segments based on the attached presentation and discussion on subsegments, for consideration at the next meeting of the WEQ formation group through a caucusing of segments. This smaller group or groups may meet in a face-to-face meeting in Washington [the meeting has been set for Thursday June 27 at the FERC]. Note: any report should be provided to the NAESB office no later than July 2.

Number of Board and EC seats per segment on the Board and EC (6/21/02):

- 6 seats per segment for the Board and 6 seats per segment for the EC.



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North American Energy Standards Board WEQ Preliminary Decisions 6/21/02 Presentation and 6/20/02 Evening Discussion on Sub-segments

The following examples of sub-segments defined for the five segments are shown below. During the presentation, it was stressed that these are examples.

| | | |
|----------------------|--------------------------------|---|
| TRANSMISSION (1): | CONSUMER OWNED | 1 |
| | FED | 1 |
| | ITC | 1 |
| | IOU | 3 |
| TRANSMISSION (2): | MUNI/COOP/FED | 1 |
| | RTO/ISO/RRO | 1 |
| | ITC | 1 |
| | IOU | 1 |
| | AT LARGE | 2 |
| TRANSMISSION (3): | MUNI/COOP/FED | 1 |
| | RTO/ISO/RRO | 1 |
| | ITC | 1 |
| | IOU | 2 |
| | AT LARGE | 1 |
| GENERATION (1): | CONSUMER OWNED | 1 |
| | FED | 1 |
| | EXEMPT WHOLESALE GENERATOR | 1 |
| | NON-EXEMPT WHOLESALE GENERATOR | 1 |
| | AT LARGE | 2 |
| POWER MARKETING (1): | CONSUMER OWNED | 1 |
| | AT LARGE | 5 |
| LSE/DIST (1): | CONSUMER OWNED | 2 |
| | INVESTOR OWNED | 2 |
| | VERTICALLY INTEGRATED UTILITY | 1 |
| | TRANSMISSION DEPENDENT UTILITY | 1 |
| END USE (1): | AT LARGE | 6 |

VOTING PRINCIPLE:

- Specific sub-segment members vote to elect their sub-segment representatives. At large seats are voted on by the segment members as a whole.



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North American Energy Standards Board WEQ Preliminary Decisions 6/21/02 Presentation and 6/20/02 Evening Discussion on Sub-segments

Examples that were discussed during the evening session on 6/20/02):

| | | |
|------------------|---|---|
| Transmission: | Munis/Coops/Fed | 2 |
| | Vertically Integrated Utilities (VIU) | 2 |
| | Investor owned Transmission Companies (ITC) | 2 |
| Distribution/LSE | Consumer Owned | 2 |
| | VIU | 2 |
| | Transmission Dependent Utilities (TDU) | 2 |
| Generators (1): | Exempt Wholesale Generators (EWG) | 2 |
| | Non-EWG | 2 |
| | Muni/Coop/Fed | 2 |
| Generators (2): | EWG | 1 |
| | Non-EWG | 1 |
| | Muni/Coop | 1 |
| | Fed | 1 |
| | At Large | 2 |
| Marketing (1): | Muni/Coop | 1 |
| | VIU | 1 |
| | At Large | 4 |
| Marketing (2): | Muni/Coop | 1 |
| | At Large | 5 |
| End User: | At Large | 6 |

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
and Nora Mead Brownell.

Electricity Market Design and Structure

Docket No. RM01-12-000

ORDER ON A STANDARDS DEVELOPMENT ORGANIZATION
FOR THE WHOLESALE ELECTRIC INDUSTRY

(Issued May 16, 2002)

1. On December 19, 2001, the Commission issued an order asking the industry to develop business practice standards and communication protocols by establishing a single consensus, industry-wide standards organization for the wholesale electric industry, to complement the market design principles the Commission was developing.¹ Several industry participants filed comments in response to the December 19 Order. This order addresses issues raised in the comments, so that the industry can continue to finalize the formation of a wholesale electric standards setting organization.

Background

2. In the December 19 Order, the Commission requested that the various participants in the wholesale electric industry agree on a single organization to develop wholesale electric business practice standards and communication protocols by March 15, 2002. The Commission stated that if the industry failed to agree, by March 15, 2002, on a single standards organization, then the Commission would institute its own procedures either to choose an organization to develop such standards, or to develop the standards itself. In addition, the Commission found that, due to the interrelation between business practice standards and reliability standards, coordination of these standards is critical, and asked the industry to develop a process to ensure such coordination.

¹Electricity Market Design and Structure, 97 FERC ¶ 61,289 (2001) (December 19 Order).

3. The Commission in the December 19 Order stated that it was "very pleased with the consensus standards development process used by the Gas Industry Standards Board (GISB) and with its relationship with GISB" (now known as the North American Energy Standards Board (NAESB)).² The industry was then asked to develop a similar organization, open to all industry members, with a standards development process, including the drafting stage, that must be: open to all; ensure due process; include an appeal process; and ensure that standards are developed by the industry through a consensus process with a balance of interests. Furthermore, the Commission asked the industry to adopt a process to coordinate between wholesale electric business practice standards and other standards developed for the integrated North American grid, as business practices may be "integrally linked" with certain reliability standards. The Commission also stated that there was a need to ensure effective coordination with other energy standards development groups in the wholesale and retail natural gas and retail electric industries, given the close interconnection between business transactions in all these areas.

4. Following the issuance of the order and the meetings at Department of Energy and the Commission in December 2001 and January 2002, the Edison Electric Institute sponsored five meetings, open to all industry participants, between February 1, 2002, and March 8, 2002 in New York, Atlanta, Phoenix and Washington D.C. that were well attended.³ Comments filed indicate that a wide

²On December 5, 2001, GISB changed its charter and its name to enable it to become the standard-setting framework for all four "quadrants" of the energy industry - wholesale gas, retail gas, retail electric and wholesale electric. With respect to standards in wholesale gas, retail gas and retail electric, NAESB is has been accredited by the American National Standards Institute as an accredited standards organization.

³For example, over 50 people attended the meeting on February 21, 2002 in Phoenix and the March 8, 2002 meeting at the Commission. Several people also took advantage of the conference-calling option.

range of industry members from all segments of the industry, including non-jurisdictional utilities, Canadian entities and state regulators attended these meetings. Both NAESB and NERC had been considering establishing a process for developing business practice standards, but on February 20, 2002, the NERC Board of Trustees voted to concentrate on reliability and not develop business practice standards.

5. Several participants submitted comments in response to the December 19 Order.⁴ Most comments support having the wholesale electric quadrant of the NAESB (NAESB WEQ) develop business practice standards and communication protocols in a manner that is coordinated with standards that affect the reliability of the interconnected North American grid.

6. The primary issue addressed in the comments was the organizational structure for coordinating business practice standards and reliability standards. The comments suggest three basic organizational alternatives for achieving such coordination.

7. In the first alternative, the participants prefer separate organizations developing reliability and business practice standards using their own standards development processes, but with ongoing coordination between the two so that reliability and business practices concerns are integrated into both processes. The filings submitted by the Joint Parties⁵ and North American Electric Reliability Council (NERC)⁶ support this option.

⁴The Appendix lists those filing comments. Certain filings have not identified the alternative they support or suggest variations to the alternatives for organizational structure submitted in the other filings. Staff has attempted to identify and categorize the filings as appropriately as possible for summary purposes.

⁵Industry participants that signed on to the Joint Parties' filing include Ameren Services Company, Central Maine Power Company, Comprehensive Energy Services, Dominion Resources Services, FirstEnergy, Hydro One Networks, Idaho Power Company, Members of the Transmission Owners Committee of the Energy Association of New York State, Northeast Utilities Service Company, PanCanadian Energy Services, Inc., PG&E National Energy Group, Midwest Energy, Potomac Electric and Power Company, and Wisconsin Electric Power Company (also a signatory to the NERC Filing). Participants that support this approach include National Association of Regulatory Utility Commissioners, National Grid USA (suggests that filing should be modified to include more

details), Pennsylvania Public Utility Commission, and XCEL Energy Services (generally supportive but has concerns).

⁶Industry participants that signed on to NERC's filing include American Public Power Association, National Rural Electric Cooperative and the Transmission Access Policy Study Group (APPA et al.), Arizona Public Service Corporation, National Association of State Utility Consumer Advocates, New York Independent System Operator, Southern Company Services, Inc., Western Area Power Administration, Wisconsin Electric Power Co. (also signatory to the Joint Filing). Participants that support this approach include Canadian Electricity Association and Northeast Power Coordinating Council.

8. The Joint Parties propose that NERC would develop core reliability policies that would produce all principles, requirements, and related quantitative measures that are necessary for sustaining reliable operation and planning of the integrated North American grid. The NAESB WEQ would take these policies and develop business practices to implement them. In addition to developing business practices arising from reliability policies, the NAESB WEQ would also develop standards based on market policies developed by the Commission (and other regulatory agencies). The parties agree that there should be formal coordination process between the NAESB WEQ and NERC, and provide for participation by NERC in the standards development committees of the NAESB WEQ. The filing suggests that there are ongoing discussions between NAESB and NERC regarding a Memorandum of Understanding between the two entities to accomplish the coordination.

9. NERC's filing supports NAESB developing business practices in coordination with NERC, who will develop reliability standards. In several filings the outstanding issue is determining how much NERC and the Joint Parties differ in their expectations of how far NERC's reliability principles and policies extend into business practices. Some filings advocate a more expansive role for NERC. For example, APPA *et al.* wants NERC or a model resembling NERC's Wholesale Electric Standards Model to be used to develop standards; ELCON asks that NAESB be restructured to resemble NERC's standards development process.

10. The second alternative would require a single organization to develop both business practice and reliability standards for the wholesale electric market. Entities such as Electricity Consumers Resource Council (ELCON) and TECO Energy Inc. support such a model. ELCON argues for a single organization to address both reliability and commercial standards, as well as retail and wholesale issues as it believes that reliability and commercial standards are "inextricably linked and cannot be separated."

11. The third alternative proposes that a single process to develop business practice standards and reliability standards. Under such a process, NERC and others will provide technical input on reliability matters to NAESB WEQ, which will develop and approve both business practice and reliability standards. The filing submitted by Electric Power Supply Association (EPSA), for the most part, describes this option. Under EPSA's proposal, NERC provides the reliability principles and policies, which go through NAESB WEQ's process and a single set of standards are submitted to the Commission for review. NERC can also continue to participate at other stages of the NAESB WEQ standards development process. EPSA maintains that there is a need to create a single coordinated process that recognizes and accommodates the "unavoidable linkage that exists between reliability requirements and business practices." Several participants found this alternative acceptable, while others suggested variations to such a model.⁷

⁷EPSA's filing supporters include Calpine Corporation, Cinergy, Inc., Dynegy Power Marketing, Inc., Exelon Corporation, PSEG Companies, PacifiCorp, Wisconsin Public Service Corporation and Upper Peninsula Power Company.

Filings that suggested variations on the EPSA filing included American Electric Power System (similar to EPSA's, except it does not include the two standing subcommittees - Reliability Review Subcommittee and Commercial Review Subcommittee), Consumers Energy Company; National Energy Marketers Association (a single organization or process to establish both reliability and commercial standards, or the Commission should institute its own procedures and propose standards subject to sixty days notice and comment), Reliant Resources, Inc. and Mirant Americas Energy Marketing, L.P., PJM Interconnection L.L.C. (PJM) (suggests a single stakeholder process similar to EPSA's proposal. PJM also raises the issue of what role the RTOs will play in standards development process).

Duke Energy Corporation prefers a single organization but given the short timeframe, suggests integrating the roles played by NERC and NAESB by incorporating into the NAESB process an initial policy screen and an Oversight Committee. Under these procedures, requests for standards that do not conform to established reliability policies would be sent to NERC, and would be rerouted to NAESB only after completing the NERC process for establishing new reliability policies.

12. PJM raises issues concerning the coordination between business practice standards and RTO practices. As one option, PJM would have "RTOs develop market and reliability rules to effectuate FERC Order No. 2000 and implement the Standard Market Design." It would leave it to NAESB to "fill[] in the gaps by providing standardization of practices across RTOs on matters which support the marketplace (e.g. standard futures contracts, definition of an electric day, etc.) and coordinate[] consideration of reliability policies in its wholesale electric standards process." PJM compares this process to the Order No. 636 process, "this solution is no different than the process used in gas matters where the Commission set strong policies through its Order 636, required the pipelines to implement those policies, but then used the GISB to set up common rules that facilitated uniform trading among pipelines. PJM believes that the same model can work here."

13. Williams Energy Marketing & Trading Company (Williams) was the only entity that asked the Commission to defer action, but stated that it would support the EPSA filing if the Commission does not defer action. Williams believes that NERC's role may be clarified and modified substantially in RTO deliberations.

14. Several participants raise issues concerning the structure and composition of segments within a standards development organization, including whether a single segment can veto a standard. AEP, Dominion, NYISO state that two principles are fundamental to the fairness of the standards development process: first, the voting segment structure should support a reasonably efficient standards development process that includes appropriate opportunities for appeal by parties aggrieved by NAESB WEQ decisions. Second, every significant stakeholder group with a direct interest in wholesale electric standards should have the opportunity to provide input to and vote in the standards development process.

Discussion

1. Business Practice Standards

15. We appreciate the hard work and the commitment of the participants in developing an acceptable standards development process, and we are pleased that there is a broad consensus in the industry that the NAESB WEQ will be the single organization to develop business practice and electronic communication standards. This development is acceptable to the Commission. We fully expect the industry to continue their cooperation to develop business practice and electronic communication standards that will enhance the efficiency of the electric grid.

16. Some of the comments focused on issues relating to the organizational structure of NAESB's wholesale electric quadrant, such as establishing the voting structure of the segments within NAESB WEQ and the dues needed to finance the organization. Some comments suggested that a technical conference be held on these issues. The Commission believes the industry itself is best suited to determine how best to structure the standards-setting process at NAESB: the industry members must

operate under these standards, and they are best able to determine how to create structures that provide for the widest possible participation and consensus while, at the same time, providing for a fair funding mechanism that will ensure the organization can fulfill its responsibilities. These internal organizational matters, therefore, should be resolved by the industry participants in their meetings.

17. In the December 19 Order, the Commission asked the industry to consider how best to coordinate the wholesale electric standards with the business practice standards in the wholesale gas, retail gas and retail electric industries. Although few comments addressed this issue, we agree with Exelon and Reliant that such coordination can best be accomplished through NAESB since NAESB's other three quadrants develop standards for wholesale and retail natural gas and retail electric. We encourage NAESB to develop formal procedures for achieving coordination in these areas.

18. PJM also raises an issue regarding the coordination between business practice standards and RTO practices. It argues that RTOs should develop market and reliability rules, leaving NAESB to fill in the gaps to achieve standardization of practices across RTOs. The Commission expects, as a general matter, that the NAESB standards will establish common business practices and communication protocols by which customers will transact business with the RTOs and between RTOs. It is premature at this point to address the division of responsibility between RTOs and NAESB in any greater detail. RTOs and other transmission operators will be a part of the NAESB process, and the industry as a whole needs to consider what aspects of RTO practice needs to be standardized.

2. Coordination Between Business Practice Standards and Reliability Standards

19. In the December 19 Order, we strongly urged the industry to consider how best to achieve effective coordination between business practice and reliability standards. Coordination between business practice standards and reliability standards is crucial because reliability standards and business practice standards are "integrally linked," for example, congestion management supports reliability, but also may significantly affect business practices.⁸ Many of the comments focus on the manner of coordinating the development of wholesale electric standards and reliability standards which are currently developed by NERC. The comments ranged from retaining two organizations with a memorandum of understanding on coordination, to having a single organization that will develop both reliability and business practices.

⁸97 FERC at P. 5.

20. The Commission is pleased that the industry is working towards a formalized organizational structure to achieve this coordination. As long as industry is working towards achieving effective coordination, the Commission will leave to the industry the determination of how most efficiently to achieve that coordination.

3. Conclusion

21. The Commission is very pleased with the progress made to date and is confident that the industry will, in a short timeframe, finalize the structure of NAESB WEQ to assist in creating an integrated wholesale electricity market that promotes competition and enhanced efficiency. We request NAESB (or other participants) to file an update by July 1, 2002 on their progress in developing the NAESB WEQ, including a timetable for completion of this effort. We also ask for a follow-up report on September 1, 2002, as the Commission needs to be confident that by Fall 2002, a standards development organization will be in place to consider business practice issues arising from standard market design, interconnection procedures or other areas where business practice standards development is needed to improve the efficiency of the market.

22. We also consider coordination between business practice standards and reliability standards to be critical to the efficient operation of the market. We urge the industry to expeditiously establish the procedures for ensuring such coordination after the NAESB WEQ is formalized, and request NAESB and others to file an update on the progress on coordination between it and NERC, 90 days after the formation of the WEQ. Given the critical importance of such coordination, the Commission stands ready to establish its own process to ensure coordination if the industry cannot agree on an effective mechanism.

By the Commission.

(S E A L)

Linwood A. Watson, Jr.,
Deputy Secretary.

APPENDIX

Industry Participants Filing Comments

Allegheny Energy, Inc.

American Electric Power System

American Public Power Association, National Rural Electric Cooperative and the Transmission Access
Policy Study Group
(APPA et al.)

Calpine Corporation

Canadian Electricity Association

Cinergy Services, Inc.

Consumers Energy Company

Dominion Resources Services, Inc.

Duke Energy Corporation

Dynegy Power Marketing, Inc.

Electric Power Supply Association (EPSA)

Electricity Consumers Resource Council (ELCON)

Exelon Corporation

Independent Electricity Market Operator of Ontario

Joint Parties including Wisconsin Electric Power Company, New York State Electric and Gas Corporation, Rochester Gas and Electric Corporation, Central Maine Power Company, FirstEnergy, Idaho Power Company, Ameren Services Company, Potomac Electric and Power Company, Comprehensive Energy Services, PanCanadian Energy Services, PG&E National Energy Group, Midwest Energy, Hydro One Networks, Dominion Resources Services and Northeast Utilities Service Company.

Members of the Transmission Owners Committee of the Energy Association of New York State including Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA, New York State Electric & Gas Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and the Power Authority of the State of New York (Member Systems)

National Association of Regulatory Utility Commissioners

National Energy Marketers Association

National Grid USA

New York Independent System Operator, Inc.

Northeast Power Coordinating Council

North American Electric Reliability Council (NERC)

PacifiCorp

PanCanadian Energy Services

Pennsylvania Public Utility Commission

PJM Interconnection, L.L.C.

PSEG Companies (Public Service Electric and Gas Company, PSEG Power LLC, and PSEG Energy Resources & Trade LLC)

Reliant Resources, Inc. and Mirant Americas Energy Marketing, L.P.
Southern Company Services, Inc.
TECO Energy, Inc.
Wisconsin Public Service Corporation and Upper Peninsula Power Company
Williams Energy Marketing & Trading Company
XCEL Energy Services Inc.

William J. Museler
President & CEO
(518) 356-6070
(518) 356-4702 (fax)
email: wmuseler@nyiso.com

May 29, 2002

Mr. William Boswell
North American Energy Standards Board
Suite 3625
1100 Louisiana St.
Houston, Texas 77002

Re: Wholesale Electric Quadrant

Dear Mr. Boswell:

On behalf of the Chief Executive Officers of North America's Regional Transmission Organizations and Independent System Operators, we are writing to you and to the NAESB stakeholders to express our deep concerns with certain aspects of the formation of the Wholesale Electric Quadrant. Our concerns are both from a process as well as substantive standpoint.

At the last NAESB meeting, we understand that, by a narrow margin, the stakeholders reversed their previous decision to support the Electronic Scheduling Collaborative's designation of sectors. Moreover, sentiments were expressed that Regional Transmission Organizations and Independent System Operators be relegated to the Transmission sector of the yet-to-be formed Wholesale Electric Quadrant. We also understand that there were a number of concerns raised with the voting processes utilized at the meeting.

We believe that ISOs and RTOs are integral to the success of the Wholesale Electric Quadrant. Without the independent view and operational evaluation provided by the ISOs and RTOs, the standards which NAESB will arrive at may not be feasible or practical to implement. The designation of ISOs and RTOs in the Transmission, or other sector with market participants conflicts directly with our corporate governance principles and our Boards' fiduciary responsibilities to all users of the grid. By FERC Order and comparable Canadian legislation and regulations, we are required to be independent of transmission owners and other market participants—in fact, we were formed for that very purpose. Placing the ISOs and RTOs with market participants clearly departs from that very principle. We are no more aligned with transmission owners than we are with any other market participant and to so categorize ISOs and RTOs will compromise our independence. In Order 2000, FERC specified that, whatever governance arrangements are put in place, "the overarching (independence) standard" must be met, and that an ISO and RTO decision-making process must be independent of individual market participants and class of market participants.

Moreover, as CEOs of our respective organizations, we have much experience in making stakeholder processes work and ensuring that they are deemed fair by all sides. We do not believe that the voting processes that were employed at the last meeting were fair to all of the stakeholders. Quite simply, the credibility of the NAESB process is flawed when companies can vote in more than one sector. We have addressed these issues in our respective stakeholder processes by rules, which require the company and its affiliates to only be able to vote in a single sector. We think such a rule is sorely needed in the NAESB process if the voting process is to remain credible.

For these reasons, we are writing to seek reconsideration by the stakeholders of the changes that must be made to be compatible with ISO and RTO structures. All of the stakeholders indicated to FERC that they wanted to see coordination of reliability and business practices. The ISOs and RTOs undertake that function every day and we believe can provide that critical link that stakeholders were seeking.

We believe that NAESB holds much promise for the industry. For it to launch successfully however, our respective neutral organizations should be viewed as partners in the standard-setting process. The credibility of the NAESB process will be seriously undermined if the ISOs and RTOs are not properly recognized for the unique role they play in this industry to make markets work and maintain the reliability of the grid, and if the voting process is not deemed fair by the various segments of the industry.

We will have representatives at the Birmingham, Alabama meeting this week to raise these issues. We hope that we can operate in an environment that is open and practical and welcomes the unique value-added role that the ISOs and RTOs can provide in this process. We look forward to working with you to make the NAESB process a success.

Very truly yours,



William J. Museler
President & CEO

For the ISO/RTO CEOs:

David Goulding, IMO
Phillip G. Harris, PJM Interconnection
Thomas E. Noel, ERCOT
James P. Torgerson, Midwest ISO
Gordon vanWelie, ISO New England
Lorry A. Wilson, Power Pool of Alberta
Terry M. Winter, California ISO

cc: NAESB STAKEHOLDERS
Chairman Pat Wood III
Commissioner Linda Breathitt
Commissioner Nora Mead Brownell
Commissioner William Massey
Daniel Larcamp, FERC
Marvin Rosenberg, FERC

May 31, 2002

William J. Museler
President & CEO
NY ISO
3890 Carman Road
Schenectady, NY 12303

Re: Your Letter of May 29, 2002

Dear Mr. Museler:

I have your letter of the above date. In passing, I would note that I received a copy of the letter (not the original) on May 30 at the NAESB WEQ formation meeting in Birmingham, AL, along with approximately 140 other people. Indeed, my copy was handed to me after everybody else received theirs. For the future, I and NAESB will be in a better position to respond to your concerns – or indeed any concerns expressed by the many other interested parties – if we are given time to consider and respond to them.

Moving to the substance of your comments, NAESB is and will remain an inclusive organization. As with the formation of GISB in the early 90's and with the recent formation of the two NAESB Retail Quadrants, the purpose of the continuing WEQ discussions begun earlier this year is to develop quadrant procedures that meet the needs of the stakeholders and that give them the forum and the opportunity to have their interests raised and discussed.

Procedurally, the NAESB Board will approve any quadrant procedures for the WEQ that are not inconsistent with the NAESB bylaws. Accordingly, the Board will not determine the number or definitions of segments in the WEQ; rather that will be left to the quadrant participants themselves. That said, if the proposed quadrant procedures do not provide a place for all interested stakeholders, including ISOs and RTOs, they will not be approved by the Board.

We are, of course, a standards-setting organization, and different rules apply to organizations such as ours – as distinguished from ISOs and RTOs which have their own unique functions. First, anyone, member or non-member, may participate in the NAESB process of standards development. This includes the right to vote at all subcommittee and task force meetings that develop standards, but not the right to vote to ratify standards or the right to hold a seat on the Board or the Executive Committee (EC). Further, under NAESB's bylaws, if one has a legitimate business interest in a given

segment, one may join it. Also, under the NAESB bylaws, stakeholders having legitimate business interests in multiple segments may join each such segment should they wish to do so. This latter process has been approved by both FERC and ANSI.

The WEQ formation group, using Robert's Rules of Order, defined the voting procedures to be followed, including the percentages necessary for approval of motions. The percentage chosen was 67%, which, of interest, is the same percentage used by NAESB for the approval of standards at the EC. That percentage was reaffirmed following another vote at the Birmingham meeting this week. FERC and ANSI are likewise aware of the NAESB bylaws' 67% threshold for standards approval and are satisfied with it, so I do not see that the decision by the WEQ formation group to apply the same percentage is either unfair or not credible. It certainly was democratically adopted by the participants, and I don't know who would have the authority to overrule it or for what legitimate reason.

Like you and your fellow CEOs, we have substantial experience in making stakeholder processes work – in our case since 1994. The entire GISB process has been endorsed by FERC, and we are an ANSI-accredited organization. Moreover, the reason NAESB was formed is that there was an overwhelming sentiment in the electricity industry that the GISB process for standards development had the credibility to permit development and adoption of market standards in the electricity industry. I can say this because I was an integral part of the development process from the time the idea was first proposed to the GISB Board by representatives of the electricity industry in September of 1999. Recently, as you know, the FERC's May 16th Order reaffirmed its approval of and commitment to the NAESB process. To suggest otherwise is simply not correct.

I also should reaffirm two thoughts that may continue to be overlooked. First, NAESB does not set policy. Policy is set by the FERC and other regulatory bodies, and NAESB's members attempt to implement such policy by setting market standards. Second, all NAESB standards are voluntary. Thus, if any stakeholder group perceives problems following the adoption and ratification of a standard, or if it feels that system integrity might be compromised by implementing the standard in question, it may simply decline to follow the standard. Until FERC or some other body with the authority to mandate a standard does so, there is no obligation to do otherwise.

Moreover, there is always the additional opportunity to raise the concern prior to a regulatory body taking action. Given the threshold for approval contained in NAESB's bylaws, I cannot imagine any scenario where NAESB would adopt a standard over the objection that it compromises reliability. Nor can I imagine the FERC turning that standard into a regulation given the same concern.

The last thing I'd like to mention is that NAESB (through its WEQ) and NERC will adopt an MOU (perhaps preceded by an LOI) to describe our communications protocols and joint workings. We had planned to do this in any event, but the FERC's Order makes clear that they expect it to be done. It also may be that together we and NERC will cooperatively develop standards having both commercial and reliability components, so as to move the market forward. I certainly hope that this will be the case.

In the interim, I would be happy to meet with you and your members in advance of the next WEQ meeting, currently scheduled for Columbus, OH, on June 20/21. There apparently remains a lingering misunderstanding regarding NAESB and how we operate, which I hope I have clarified in this letter, but perhaps a discussion would move matters forward as well. It is critical that consistent with the FERC's May 16 Order, we do everything that we can to ensure that FERC has confidence that an organization is in place "to consider business practice issues arising from standard market design, interconnection procedures or other areas where business practice standards development is needed to improve the efficiency of the market." We sincerely welcome your help in achieving this goal by the Fall.

Very truly yours,

William P. Boswell
Chairman, Board of Directors

cc: NAESB Stakeholders (electronic posting)
The Honorable Patrick Wood, Chairman, FERC
The Honorable Linda Breathitt, Commissioner, FERC
The Honorable Nora Brownell, Commissioner, FERC
The Honorable William Massey, Commissioner, FERC
Mr. Larcamp, Federal Energy Regulatory Commission
Mr. Rosenberg, Federal Energy Regulatory Commission



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

4. NERC-NAESB LETTER OF INTENT

- **BACKGROUND:** Mr. Michael Gent, the executive director of NERC, has worked with Mr. Boswell to draft the attached letter of intent. The draft letter of intent was reviewed by several associations and agencies (EEL, Elcon, NRECA, APPA, NASUCA, NARUC, U.S. Department of Energy, NEM, and EPSA) and modified to incorporate changes provided by Edison Electric Institute, the National Rural Electric Cooperative Association, the Electric Power Supply Association and the Electricity Consumers Resources Council. At the recent NERC Board of Trustees meeting, Chairman Wood of the FERC provided the attached supporting letter.
- The NERC Board of Trustees has given its chairman, Mr. Richard Drouin, the authority to negotiate final language of a letter of intent with Mr. Boswell. The Board of Directors will be asked to give Mr. Boswell similar authority so that an aspirational document along the lines of the draft LOI attached can be signed. A memorandum of understanding, which will define the procedures for coordination between NAESB and NERC, will be prepared by representatives from NERC and the WEQ of NAESB, once the WEQ of NAESB has been seated at our Board.
- **ACTION:** The Board is asked to review the draft letter of intent and the communication from the Commission to NERC and determine a course of action to grant Mr. Boswell as chairman of the Board the authority to negotiate the final language of a letter of intent with Mr. Drouin, the chairman of the NERC Board of Trustees.

[DRAFT June 10, 2002]

**Letter of Intent
regarding
Communication and Coordination Protocols
between
North American Energy Standards Board
and
North American Electric Reliability Council**

A. Introduction

A need exists to develop standards to enhance energy markets throughout North America. There are both commercial and reliability aspects to such standards, and each has implications for the other. The North American Energy Standards Board (“NAESB”) and the North American Electric Reliability Council (“NERC”) desire to work together to coordinate the development of business practice standards and electronic communication protocols by NAESB and the development of reliability standards by NERC. It is the intent of both organizations that the commercial and reliability standards be harmonized, that all reasonable efforts be made to eliminate overlap and duplication of effort, and that each organization be able to move forward with its appropriate standards development activity while keeping the other fully informed as to its efforts.

The electric industry is in the process of formulating the Wholesale Electric Quadrant of NAESB. This [letter of intent](#) (LOI) is, therefore, preliminary in nature. It will be supplemented by a more extensive memorandum of understanding (MOU) that describes the details of the coordination process after the Wholesale Electric Quadrant of NAESB comes into existence. [The MOU may address other issues that are deemed relevant by the parties, even though these issues are not contained in this LOI.](#)

B. Principles of Agreement

Participants in the wholesale electric industry [are](#) forming a Wholesale Electric Quadrant within NAESB to develop consensus business practice standards and electronic communications protocols, using the appropriate NAESB processes.

NERC [intends](#) to set core reliability standards through its new standards development process. NERC currently intends to focus its activities on the items (the “core” reliability standards) contained in the 11 Standards Authorization Requests that it has posted for comment.

NAESB intends to set business practice standards through its current standards development process. NAESB will follow the annual plans approved by the NAESB Board.

NERC and the Wholesale Electric Quadrant of NAESB will work together to assure the coordinated development of business practice standards and electronic communications protocols (by NAESB) and of reliability standards (by NERC) **in a manner that is both efficient and beneficial to the industry and the marketplace as a whole. This process may include joint standards development as agreed by the parties, recognizing that market standards may have both reliability and commercial elements.**

C. Coordination Protocols

Coordination includes the following elements, but may include other elements as agreed by the parties:

1. Notifications:

1. Each organization will notify the other of its anticipated standards development activity for the coming twelve months.
2. NERC will notify NAESB of each proposal to develop a core reliability standard before it begins considering or addressing such standard..
3. NAESB will notify NERC of its anticipated standards development activity for each calendar year. NAESB also will notify NERC of each proposal that passes triage **and is approved by the NAESB Executive Committee** to develop a wholesale electric business practice standard or electronic communications protocol.
4. Each organization will notify the other of the relevant comment periods and opportunities to participate in discussions and drafting groups.

2. Participation:

1. NERC may participate in the NAESB wholesale electric business standards development process either as an organization or through individual members.
2. NAESB may participate in the NERC standards development process either as an organization or through individual members.
3. NAESB and NERC may form joint working groups for drafting particular standards or parts of standards and may convene joint industry workshops and forums for discussion of particular items. Moreover, NAESB and NERC may jointly agree concerning the timing and method of development of proposed standards, as to reliability and commercial issues.

3. Conflicts:

1. Regulators, principally the Federal Energy Regulatory Commission, will have the final decision in resolving conflicts between a proposed reliability standard and a proposed business practice standard or communications protocol. **However, both NERC and NAESB intend that the procedures outlined above, which will be further developed following the formation of the NAESB WEQ, will minimize or obviate any such conflicts.**

2. Moreover, NAESB and NERC believe that, before such a conflict is referred to the regulators, it would be useful and prudent for the industry itself to try to resolve the conflict through a high-level dispute resolution process, [assuming it is not resolved during the standards development process as a whole.](#)

NORTH AMERICAN ENERGY
STANDARDS BOARD

NORTH AMERICAN ELECTRIC
RELIABILITY COUNCIL

By: _____

By: _____

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

June 12, 2002

OFFICE OF THE CHAIRMAN

Mr. Richard Drouin
Chairman of the Board
North American Electric Reliability Council
Princeton Forrestal Village
116-390 Village Boulevard
Princeton, New Jersey 08540-5731

Dear Mr. ~~Drouin~~  Drouin:

I appreciate the significant efforts of the North American Electric Reliability Council (NERC) and its regional councils to restructure NERC and adapt its reliability standards to meet the needs of the competitive electric industry. At this week's NERC Board meeting, you are considering several critical initiatives to support industry restructuring.

One such initiative is to develop an understanding between NERC and the North American Energy Industry Standards Board for coordinating the development of wholesale business practice standards and reliability standards. Such coordination is crucial. I urge you to work with NAESB expeditiously to establish the procedures for ensuring such coordination after the NAESB Wholesale Electric Quadrant is formed. I hope to have such coordination in place well before the end of the year to support our efforts to establish a standard market design.

Because of our own efforts this week to develop a proposed rule on standard market design, FERC is unable to be represented at this week's Stakeholders and Board meetings. However, we welcome comments and insights from the NERC community about the issues addressed by the Board this week, and about what we at the Commission can do to enhance electric reliability in standard market design. I look forward to continuing to work cooperatively with the NERC Board toward this goal.

Best regards,



Pat Wood, III
Chairman

Gregory Eisenstark
Assistant General Solicitor

Law Department
80 Park Plaza, T5G, Newark, NJ 07102
tel: 973.430.8334 fax: 973.430-5983
email: gregory.eisenstark@pseg.com



June 18, 2002

William P. Boswell
Chairman, Board of Directors
North American Energy Standards Board
1100 Louisiana Street
Suite 3625
Houston, TX 77002

Dear Mr. Boswell:

PSE&G, PSEG Power LLC, and PSEG Energy Resources & Trade LLC (collectively the "PSEG Companies") join with those entities, including EPSA and ELCON that have expressed their concern with the NAESB Board developing a proposed letter of intent between NAESB and NERC at this time. First, the PSEG Companies believes that any such effort is premature until the NAESB Electric Wholesale Quadrant is fully established and functional. NERC's activities are limited to wholesale issues and as such, the only stakeholders with a bona fide interest in any agreement with NERC are those who will populate the WEQ.

Moreover, the exact role that NERC will play is by no means settled. Many stakeholders, including the PSEG Companies, believe that NERC should develop only high-level reliability *policy* which, taken together with FERC policy, would be fleshed out in the form of industry *standards* by the NAESB WEQ. Reliability and commercial issues are so intertwined that it is inappropriate to make references to "reliability standards" since any such standards have profound market implications. It is noteworthy that on page 4 of NERC's currently pending application to ANSI for accreditation as a standards developer, NERC states that "bulk electric system reliability and electricity markets are inseparable and mutually interdependent."

FERC has already indicated a potential need for coordination, and on several occasions NERC has publicly stated that it recognizes a need to resolve the interface issues between itself and the NAESB WEQ. Even a carefully crafted letter of intent can have the unintended and undesired effect of tying the hands of the future NAESB WEQ in its negotiations with NERC. There is no need to belabor what all parties have already acknowledged, i.e., that some form of coordination with NERC will be necessary at some future point.

William Boswell

June 18, 2002

Page 2

Finally, any letter of intent between the NAESB Board (or any other entity within NAESB other than the WEQ operating in conformity with the NAESB Charter, Bylaws and Quadrant procedures) and NERC would constitute establishment of policy and advocacy, activities, as you know, that are expressly prohibited by the NAESB Charter.

Accordingly, the PSEG Companies strongly urge that efforts to develop a letter of intent or any other protocol with NERC be terminated immediately, and the decisions concerning both the procedural and substantive aspects of any such negotiations with NERC be left to the future functioning WEQ which will be positioned to act upon it with the benefit of fair stakeholder participation, comment and governance. Any preliminary or final agreement with NERC is no less fundamentally important than a standard, and should be formulated in accordance with NAESB's time-tested standards development methodology, which includes due process and fairness protections.

Very truly yours,

Gregory Eisenstark

Gregory Eisenstark
Attorney for the PSEG Companies



CALPINE

CALPINE CENTRAL, L.P.

700 MILAM STREET

SUITE 800

HOUSTON, TEXAS 77002

713.830.2000

713.830.2001 (FAX)

June 18, 2002

Mr. Bill Boswell
Chairman of the Board of NAESB
NAESB Board of Directors
1100 Louisiana
Ste. 3625
Houston, TX 77002

Subject: NERC/NAESB Proposed Letter of Intent on Organizational Coordination

Dear Bill:

I am writing to express Calpine's serious concerns over the efforts on the part of NERC and NAESB to approve and sign a "Letter of Intent" between the two organizations without the appropriate and necessary stakeholder input that is fundamental to any such document.

On several occasions, Mr. Mark Bennett of EPSA on behalf of several independent generators who are actively participating in the formation of NAESB's Wholesale Electric Quadrant (WEQ), has requested that any agreement with NERC on behalf of NAESB's WEQ be deferred until the WEQ is formed and its members have duly elected representation on the NAESB Executive Committee and the NAESB Board of Directors. Your position, in response to these repeated requests has been that the Letter of Intent (LOI) being negotiated by you with NERC was simply a preliminary document that will not unduly restrict future negotiations between the WEQ and NERC regarding detailed coordination procedures.

Calpine wishes to register its continued strong objection to the timing and process being used to move forward with the LOI in the face of specific and significant dissent on the part of prospective members of NAESB who will find themselves bound by such an agreement. Our objection is based upon both an issue of process as well as one of specific content of the document being discussed.

The question we raise regarding the process focuses upon whether the NAESB Board has the right and authority to negotiate and agree to a binding arrangement with another party on behalf of a NAESB Quadrant that has not yet been formed and therefore has no representation seated on the Board.

The question regarding content is associated with the lack of any explicit recognition in any draft to date of the LOI, including one recently approved by the NERC Board of Trustees, of the need for an up front triage process performed jointly by NERC and NAESB WEQ representatives. This triage process would review any proposed standard from either NERC or NAESB's WEQ to determine the appropriate forum for subsequent discussion and drafting. We believe that without such explicit language, this threshold issue will be lost from subsequent discussions on specific coordination procedures.

We ask, in the strongest terms possible, that you and the Board:

- 1) Reject approval of any LOI with NERC prior to the seating of appropriate WEQ representation;
or, if you feel you must continue in this course of action in the face of our protest,
- 2) Incorporate into any NAESB approved draft explicit language recognizing the joint NERC/NAESB WEQ responsibility to decide, consistent with NAESB Bylaws and the NERC Organization Standards Procedures, the appropriate organization for deliberation for any and all proposed wholesale electric industry standard prior to any substantial drafting effort by either NERC or NAESB's WEQ;

and,
- 3) Include explicit language making it clear that the NAESB WEQ is the appropriate NAESB body with which NERC must negotiate specific NERC/NAESB coordination procedures.

As mentioned above, this is a threshold issue for Calpine and many other independent generators as well as other parties participating in the efforts to establish the NAESB WEQ. Calpine respectfully requests that our concerns voiced here be given due consideration by you and the current NAESB Board.

Sincerely,

David H. McMillan
Director Market Design
Calpine - CRO

Copy:

NAESB Board of Directors

Richard Drouin
NERC Chairman of the Board of Trustees
116-390 Village Boulevard
Princeton, New Jersey 08540-5731

Mike Gent
President and CEO NERC
116-390 Village Boulevard
Princeton, New Jersey 08540-5731

Dave Nevius
NERC
116-390 Village Boulevard
Princeton, New Jersey 08540-5731

Mark Bennett
EPSA
1401 New York Avenue, NW – 11th Floor
Washington, DC 20005-2110

FERC
888 First Street, NE
Washington, DC 20426



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

5. ANNUAL PLAN

- **BACKGROUND:** The WGQ annual plan has been updated to reflect the progress made by the various subcommittees. There are no changes to the plan recommended by the Executive Committee. The REQ proposed annual plan is prepared for review and discussion.
- **ACTION:** The Board may change the WGQ plan as needed. The Board is asked to review the REQ plan and adopt it for 2002-2003. To pass, a simple majority vote from each quadrant is needed.

North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
Home Page: www.naesb.org

NORTH AMERICAN ENERGY STANDARDS BOARD 2002 ANNUAL PLAN - WHOLESALE GAS QUADRANT

| Item Description | Completion ¹ | Assignment |
|---|-------------------------|------------------------|
| Contracts | | |
| 1 Complete the development of the contract for purchases and sales of natural gas. Status: Complete with the exception of credit annex. | 1 st Qtr | Contracts Subcommittee |
| 2 Develop the Mexican Addendum to the base contract for purchase and sales of natural gas. | 3 rd Qtr | Contracts Subcommittee |
| 3 Build an electronic contract for the base contract for purchase and sales of natural gas. | 4 th Qtr | Contracts Subcommittee |
| 9 Modify the Funds Transfer Agreement as necessary after several years of use. Status: In Progress. | 2 nd Qtr | Contracts Subcommittee |
| Electronic Delivery Mechanisms and Related Activities | | |
| 4 Complete technical implementation of Sandia recommendations. Status: Complete. | 1 st Qtr | EDM Subcommittee |
| 5 Explore additional possibilities for partnership with the Department of Energy similar to that of the Sandia report. Status: Discussion underway. | 3 rd Qtr | EC Officers |
| 6 Review and enhance security standards as required by technological changes. Status: Complete with the completion of item no. 4 but additional work may be required as an outcome of item no. 5. | 2 nd Qtr | EDM Subcommittee |
| 7 Develop XML technical implementation for base contract and for scheduling documents necessary to complete the pilot program. Status: Subcommittee work suspended. | 4 th Qtr | XML Subcommittee |
| Standards Implementation | | |
| 8 Continue the implementation of FERC Order No. 637 standards as specified in the Order 637 work plan defined by the Order 637 GISB Action Subcommittee. Status: Ratification in progress. | 3 rd Qtr | Assigned by the EC |
| 10 Develop standards as necessary to implement the FERC order as a | 4 th Qtr | Assigned by the |

¹ Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002
 Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
 Home Page: www.naesb.org

| Item Description | Completion ¹ | Assignment |
|--|-------------------------|------------|
| result of Docket No. RM96-1-019 (Partial Day Recalls). | | EC |

| Item Description | Completion ² | Assignment |
|------------------|-------------------------|------------|
|------------------|-------------------------|------------|

Provisional Activities³

| | | |
|---|--|--|
| Examine report and determine if an “energy day” standard is needed, including assessment of changes to existing GISB standards. | | |
| Determine if a standard transportation services agreement is needed and if so, develop it. | | |
| Determine if a model financial hedging agreement is feasible and if so develop a model financial hedging agreement. | | |
| Develop standards as necessary to implement the FERC order as a result of Docket No. RM01-10-000 (Affiliate Order). | | |

Program of Standards Maintenance & Fully Staffed Standards Work⁴

| | | |
|---|---------|--|
| Business Practice Requests | Ongoing | Assigned by the EC on a request by request basis |
| Continue review against plan for migration to ANSI ASC X12 new versions as needed and coordinate such activities with DISA. | Ongoing | ANSI (X12) Subcommittee |
| Information Requirements and Technical Mapping of Business Practices | Ongoing | Assigned by the EC on a request by request basis |
| Ongoing Interpretations for Clarifying Language Ambiguities | Ongoing | Assigned by the EC on a request by request basis |
| Ongoing Maintenance of Code Values and Other Technical Matters | Ongoing | Assigned by the EC on a request by request basis |

Notes: (a) Priority is given to action items that are carry-overs from the 2001 Annual Plan.

² Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

³ To the extent that it is determined that any of the provisional activities should be worked upon during the year, the Board has the discretion to modify the annual plan.

⁴ This work is considered routine maintenance and thus the items are not separately numbered.

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- (b) Any new activity should be preceded by a request from the submitter after which it will be revisited. The provisional items would only be addressed after a request is submitted or an order is issued by the FERC.

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NORTH AMERICAN ENERGY STANDARDS BOARD 2002-2003 ANNUAL PLAN - RETAIL ELECTRIC QUADRANT¹

| Item Number & Description | Completion ² | Assignment |
|--|--------------------------|---|
| Retail Access Uniform Business Practices (UBP)³ | | |
| 1 Billing & Payments <i>Develop practices for billing customers and remitting payments to parties providing services to the customer.</i> | 1 st Qtr 2003 | Customer Processes Subcommittee |
| 2 Creditworthiness Standards <i>Develop practices for extending commercial credit by Distributors to Suppliers to cover financial risk.</i> | 1 st Qtr 2003 | Supplier-Utility Interface Subcommittee |
| 3 Customer Enrollment & Switching <i>Develop practices for Distributors to process customer switch requests from Suppliers, for maintaining current customer account information regarding a customer's Supplier, and for notifying affected parties.</i> | 2 nd Qtr 2003 | Customer Processes Subcommittee |
| 4 Supplier Licensing <i>Develop practices for licensing Suppliers with state utility commissions.</i> | 2 nd Qtr 2003 | Supplier-Utility Interface Subcommittee |
| 5 Retail Meter Data Validation, Editing & Estimating <i>Develop procedures for insuring the integrity and validity of retail customer metering data that is needed by utilities and suppliers for billing, load</i> | 3 rd Qtr 2003 | Supplier-Utility Interface Subcommittee |

¹ As outlined in the NAESB Bylaws, the REQ will also address requests submitted by members and assigned to the REQ through the Triage Process.

² Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

³ A "Glossary" exists from the November 2000 UBPs document that should be maintained and updated as a common glossary for all items under this sub-heading as the sub-committees address the UBPs items in this section of the Plan.

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| Item Number & Description | Completion² | Assignment |
|---|-------------------------------|---|
| <i>profiling, settlement, etc. Issues related to unbundled or competitive metering are not to be considered.</i> | | |
| 6 Customer Information <i>Develop practices for the release, collection, exchange & maintenance of customer information between Distributors and Suppliers.</i> | 3 rd Qtr 2003 | Customer Processes Subcommittee |
| 7 Load Profiling <i>Develop practices for using statistical methods to estimate interval consumption by customers who do not have interval meters.</i> | 3 rd Qtr 2003 | Supplier-Utility Interface Subcommittee |
| 8 Customer Inquiries <i>Develop procedures for responding to customer inquiries directed to Distributors and/or Suppliers and for notification of the other party.</i> | 4 th Qtr 2003 | Customer Processes Subcommittee |
| 9 Market Participant Interactions <i>Develop supplier registration processes for Distributors and protocols for communications and interactions between Distributors and Suppliers .</i> | 4 th Qtr 2003 | Supplier-Utility Interface Subcommittee |
| 10 Utility - Supplier Disputes <i>Develop dispute resolution procedures applicable to differences between Distributors and Suppliers.</i> | 4 th Qtr 2003 | Supplier-Utility Interface Subcommittee |
| 11 Settlement Process <i>Reconcile energy schedules and energy delivered by suppliers within a given market. Note: will need to be coordinated with the WEQ.</i> | 1 st Qtr 2004 | Supplier-Utility Interface Subcommittee |

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Data Exchange Protocols⁴

| | | | |
|----|---|--------------------------|-------------------------------------|
| 12 | Electronic Delivery Mechanisms <i>Develop electronic delivery mechanism guidelines including but not limited to: transactional data interchange, web sites, and bulletin boards.</i> | 4 th Qtr 2002 | Technical Electronic Implementation |
| 13 | Technical Electronic Implementation Standards - Billing & Payments | 2 nd Qtr 2003 | Technical Electronic Implementation |
| 14 | Technical Electronic Implementation Standards - Customer Enrollment and Switching | 3 rd Qtr 2003 | Technical Electronic Implementation |
| 15 | Technical Electronic Implementation Standards - Metering | 4 th Qtr 2003 | Technical Electronic Implementation |
| 16 | Technical Electronic Implementation Standards - Load Profiling | Qtr 2003 | Technical Electronic Implementation |
| 17 | Technical Electronic Implementation Standards - Customer Information | Qtr 2003 | Technical Electronic Implementation |

⁴ Data exchange standards for Uniform Business Practices should be completed by the end of the quarter following the quarter in which the Executive Committee adopts the model business practices for that area of focus.



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

6. PARLIAMENTARY COMMITTEE

- **BACKGROUND:** As noted in the certificate (excerpt provided), the Chairman of the Board of Directors appoints the Parliamentary Committee, which is a board committee charged with making recommended modifications to the NAESB governance documents – namely, the certificate, the bylaws and the NAESB Operating Practices. A list of activities to be undertaken by the committee is being maintained by the NAESB office (attached). There will be at least two directors appointed from each Quadrant.
- **ACTION:** After discussion, the Chairman may choose to appoint part of the parliamentary committee at this meeting.
- **BACKGROUND:** The GISB Operating Practices have never been approved as NAESB Operating Practices.
- **ACTION:** The Board may be asked to approve the GISB Operating Practices as preliminary NAESB Operating Practices with conforming changes to “NAESB” from “GISB” until the parliamentary committee has had an opportunity to review and modify the practices. Any such modifications will be presented to the Board for its approval prior to implementation.

311 been elected and qualified, (ii) the Director's resignation of his or her Voting
312 Membership (if the Director is the Voting Member as an individual) or the lapse of the
313 Director's Voting Membership for delinquency in membership fee payment, (iii) the
314 resignation or lapse (through delinquency in membership fee payment) of Voting
315 Membership of the entity of which the Director is a partner, officer, employee or agent,
316 or (iv) the Director's death, resignation, or removal.

317 **Section 7.5 Vacancies**

318 Vacancies in the Board resulting from the circumstances described in Subsections 7.4(b)(ii), (iii)
319 or (iv) above shall be filled by the Quadrant and Segment in which the vacancy occurs, in accordance
320 with the procedures specified in that Quadrant's Exhibit.

321 **Section 7.6 Removal of Directors**

322 Procedures for removal of Directors representing a Quadrant and Segment are contained in the
323 pertinent Exhibit.

324 **Section 7.7 Resignations**

325 Any Director may resign at any time by giving written notice to the Secretary. The resignation
326 shall be effective upon receipt by NAESB or at such subsequent time as may be specified in the notice
327 of resignation.

328 **Section 7.8 Board Committees**

329 (a) The Board, by Majority vote of the entire Board, may establish, by means of resolutions
330 to be attached hereto, committees of the Directors. The resolutions shall describe the
331 powers and authorities of each committee, require each committee to adopt
332 procedures, and provide opportunity for Directors from each Quadrant and Segment to
333 participate in the committee's work.

334 (b) There shall be a Parliamentary Committee, consisting of members of the Board with at
335 least two Directors from each Quadrant. The function of the Parliamentary Committee
336 is to address issues related to corporate governance, including, but not limited to, the

337 Certificate of Incorporation, the Bylaws and the Operating Procedures. Members of
338 the Parliamentary Committee shall be appointed by the Chair of the Board, who shall
339 serve as the chair of this committee.

340 **Section 7.9 Advisory Council**

341 The Board shall establish a standing Advisory Council, to be known as the "NAESB Advisory
342 Council." The Advisory Council shall be composed of not more than twenty-five (25) persons who
343 shall be knowledgeable about the issues involved in carrying out the purposes, scope and activities of
344 NAESB. The membership of the Advisory Council should be rotated from time to time, and should
345 reflect participation by federal, state and local agencies; public interest groups; non-profit research
346 organizations; and similar organizations. The Advisory Council shall develop its own procedures
347 consistent with the general guidance of the Board and not inconsistent with the Certificate. The
348 Advisory Council shall advise both the Board and EC.

349

350 **ARTICLE 8 - OFFICERS**

351 **Section 8.1 Number**

352 The officers of NAESB shall include a Chair, and up to three Vice Chairs (each representing a
353 different Quadrant within the Board), a Secretary, a Treasurer, an Assistant Treasurer, and an Executive
354 Director. The officers may include one or more Assistant Secretaries, other Assistant Treasurers, and
355 such other officers as the Board may determine by resolution. Any number of offices may be held by
356 the same person.

357 **Section 8.2 Qualifications of Officers of NAESB**

358 The officers shall be natural persons at least eighteen (18) years of age who are Directors,
359 except that the Executive Director, Secretary, Assistant Secretaries and Assistant Treasurers need not
360 be Directors.



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

7. FINANCE REPORTS

- In this section, you will find the 2002 Finance Report. Ms. McQuade and Ms. Wishart will review the financial statements.



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North American Energy Standards Board Revenue and Expenses -- Accrual Based As of May 2002

| Income Less Cost of Sales | May, 2002 | Year to Date |
|----------------------------------|------------------|---------------------|
| Gas Wholesale Membership Dues | (\$22,499) | \$607,291 |
| Retail Electric Membership Dues | \$143,151 | \$143,151 |
| Total Membership Dues | \$120,652 | \$750,442 |
| Gas Wholesale Work Products | \$4,794 | \$25,087 |
| Total Income Less Cost of Sales | \$125,446 | \$775,529 |

| Expenses | May, 2002 | Year to Date |
|--------------------------------------|------------------|---------------------|
| Salaries, Benefits, Payroll Expenses | \$35,391 | \$215,777 |
| Office Rents and Parking | \$4,038 | \$19,313 |
| Office Expenses | \$4,291 | \$22,456 |
| Telecommunications | \$4,927 | \$21,215 |
| Travel and Meeting Expenses | \$19,416 | \$92,464 |
| Publications, Mailings, Printing | \$4,796 | \$46,793 |
| Outside Services | \$8,967 | \$68,671 |
| Insurance, Taxes and Fees | \$473 | \$2,960 |
| Total Expenses | \$82,299 | \$489,649 |

| | | |
|-------------------|-----------------|------------------|
| Net Income | \$43,147 | \$285,880 |
|-------------------|-----------------|------------------|



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North American Energy Standards Board Balance Sheet -- Accrual Based As Of May 2002

| Assets | As of May 2002 |
|--|-------------------------|
| Current Assets | \$113,061 |
| Accounts Receivable | \$181,500 |
| Fixed Assets | \$15,988 |
| | |
| Total Assets | <u><u>\$310,549</u></u> |
| | |
| Liability & Equity | |
| Accounts Payable | \$4,394 |
| A/P Other | \$5,100 |
| Deferred Revenue Electric Retail | \$79,182 |
| Deferred Revenue Gas Wholesale | \$31,875 |
| Retained Earnings | (\$95,882) |
| Net Income | \$285,880 |
| | |
| Total Expenses | <u><u>\$310,549</u></u> |
| | |
| Accounts Receivable Analysis | \$181,500 |
| Payment Received Since May 31 | \$70,500 |
| Credit Memos (Items more than 90 Days Outstanding) | \$15,000 |
| Items 61-90 Days Outstanding | \$0 |
| Items 31-60 Days Outstanding | \$10,000 |
| Items 30 Days or Less Outstanding | \$86,000 |



**NORTH AMERICAN ENERGY STANDARDS BOARD
BOARD OF DIRECTORS MEETING MATERIALS
JUNE 28, 2002**

8. 2002 MEMBERSHIP REPORT

- Attached is the most recent membership report for the NAESB organization – both for the WGQ and the REQ. A list of the letters of intent received for both the WEQ and the RGQ are attached.



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|-----------|--|
| Services | 8760 Inc. |
| Services | AEP Energy Services, Inc. |
| Services | AIG Energy Trading |
| LDCs | Ameren Corporation |
| Pipelines | ANR Pipeline Company |
| Services | Aquila Energy |
| End User | Arizona Public Service Company |
| LDCs | Baltimore Gas & Electric Co. |
| End User | Boeing Co. |
| Producer | BP Energy |
| Services | Bridgeline Gas Marketing |
| Producer | Burlington Resources |
| End User | Calpine Energy Services, LP |
| Services | Caminus |
| Services | CapacityCenter.com |
| Services | CGI Group |
| Producer | Chevron/Texaco |
| Services | ChooseEnergy |
| End User | Cinergy |
| Services | Cinergy Marketing and Trading |
| Pipelines | CMS Panhandle Eastern Pipe Line Co. |
| LDCs | Columbia Gas Distribution Co. |
| Pipelines | Columbia Gas Transmission |
| Pipelines | Columbia Gulf Transmission Co. |
| End User | Comprehensive Energy Services |
| LDCs | ConEdison |
| Producer | Conoco, Inc. |
| Services | Coral Energy Resources, L.P. |
| Pipelines | Dauphin Island Gathering Partners |
| End User | Defense Energy Support Center |
| End User | Department of Energy |
| Producer | Dominion Exploration and Production, Inc. |
| LDCs | Dominion Resources (Previously CNG) |
| Pipelines | Dominion Transmission, Inc. |
| Services | DTE Energy Trading, Inc |
| Pipelines | Duke Energy Gas Transmission - Algonquin |
| Pipelines | Duke Energy Gas Transmission - Texas Eastern |
| End User | Duke Energy North America |
| Services | Dynegy Inc. |
| End User | Edison Mission Marketing and Trade |
| End User | El Paso Merchant Energy |
| Pipelines | El Paso Natural Gas |
| Producer | El Paso Oil and Gas (Previously Coastal Oil and Gas) |
| Services | Elite Computer Consultants |



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|-----------|---|
| Pipelines | Enbridge Pipelines (KPC) |
| Services | Enesys |
| End User | Entergy Services, Inc. |
| LDCs | Equitable Gas Company |
| Services | Explore Interactive |
| Producer | ExxonMobil Gas Marketing |
| End User | Florida Power & Light Company |
| End User | GPU Energy |
| Pipelines | Great Lakes Gas Transmission |
| Pipelines | Gulf South Pipeline |
| Services | Hatch Associates Limited |
| Pipelines | HS Resources Inc. |
| Services | IDACORP Energy |
| End User | Imperial Irrigation District |
| Services | IPNet Solutions, Inc. |
| Pipelines | Iroquois Gas Transmission System |
| LDCs | Key Span Energy |
| Services | KW International PLC |
| LDCs | Laclede Gas Co. |
| Services | Latitude Technologies |
| End User | Lower Colorado River Authority |
| Producer | Marathon Oil Company |
| Pipelines | Mid Continent Market Center |
| End User | Midland Cogeneration Venture |
| Services | Mirant Americas Energy Marketing |
| Pipelines | Mississippi River Transmission |
| LDCs | National Fuel Gas Distribution |
| Pipelines | National Fuel Gas Supply Corp. |
| Pipelines | Natural Gas Pipeline Co of America |
| LDCs | Nicor Gas |
| LDCs | NiSource Inc. |
| Services | Northeast Gas Markets, LLC |
| LDCs | Northwest Natural Gas Company |
| Pipelines | NOVA Gas Transmission Ltd. |
| Services | NRG Power Marketing |
| Producer | Occidental Energy Marketing Inc. (OEMI) |
| Producer | Ocean Energy Inc. |
| LDCs | Oklahoma Natural Gas Company |
| LDCs | Pacific Gas & Electric |
| Services | PanCanadian Energy Services, Inc. |
| Producer | PanCanadian Petroleum |
| Services | PanTech Energy Services |
| LDCs | PECO Energy Co. |
| Pipelines | Pemex Gas y Petroquimica Basica |



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|-----------|--|
| LDCs | Peoples Gas Light & Coke Co. |
| Services | PG&E Energy Trading |
| Pipelines | PG&E Gas Transmission |
| Pipelines | Portland Natural Gas Transmission System |
| Services | Powerex |
| End User | PPL EnergyPlus |
| LDCs | Public Service Electric & Gas |
| Pipelines | Questar Pipeline Co. |
| Pipelines | Reliant Energy Gas Transmission Company |
| End User | Reliant Energy Services, Inc. |
| Services | Resource Data International |
| Pipelines | Sabine Pipe Line LLC |
| End User | Salt River Project Agricultural Improvement & Power District |
| Pipelines | SCANA Corporation |
| Pipelines | Shell Gas Transmission, LLC |
| LDCs | Southern California Gas Co. |
| End User | Southern Company |
| Pipelines | Southern Natural Gas Co. |
| LDCs | Southwest Gas Corporation |
| Services | Sterling Commerce |
| Services | Tatum CIO Partners |
| Pipelines | Tennessee Gas Pipeline |
| Services | Tiger Natural Gas |
| Services | Tractebel Energy Marketing, Inc. |
| Pipelines | TransCanada Pipelines |
| Pipelines | Transwestern Pipeline Co. |
| Services | TXU Energy Trading Co. |
| Pipelines | TXU Lone Star Pipeline Company |
| Services | U.S. Power Solutions Corporation |
| Services | UBS Warburg |
| Pipelines | Vector Pipeline L.P. |
| Pipelines | Viking Gas Transmission Company |
| LDCs | Washington Gas Light Co. |
| Pipelines | Westcoast Energy Inc. |
| Services | Westfield Gas & Electric Light Dept. |
| Services | Williams Energy Services Co. |
| Pipelines | Williams Gas Pipeline |
| Pipelines | Williston Basin Interstate Pipeline |
| LDCs | Wisconsin Gas Company (We Energies) |
| LDCs | Wisconsin Public Service |



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|-----------|--|
| End User | Arizona Public Service Company |
| End User | Boeing Co. |
| End User | Calpine Energy Services, LP |
| End User | Cinergy |
| End User | Comprehensive Energy Services |
| End User | Defense Energy Support Center |
| End User | Department of Energy |
| End User | Duke Energy North America |
| End User | Edison Mission Marketing and Trade |
| End User | El Paso Merchant Energy |
| End User | Entergy Services, Inc. |
| End User | Florida Power & Light Company |
| End User | GPU Energy |
| End User | Imperial Irrigation District |
| End User | Lower Colorado River Authority |
| End User | Midland Cogeneration Venture |
| End User | PPL EnergyPlus |
| End User | Reliant Energy Services, Inc. |
| End User | Salt River Project Agricultural Improvement & Power District |
| End User | Southern Company |
| LDCs | Ameren Corporation |
| LDCs | Baltimore Gas & Electric Co. |
| LDCs | Columbia Gas Distribution Co. |
| LDCs | ConEdison |
| LDCs | Dominion Resources (Previously CNG) |
| LDCs | Equitable Gas Company |
| LDCs | Key Span Energy |
| LDCs | Laclede Gas Co. |
| LDCs | National Fuel Gas Distribution |
| LDCs | Nicor Gas |
| LDCs | NiSource Inc. |
| LDCs | Northwest Natural Gas Company |
| LDCs | Oklahoma Natural Gas Company |
| LDCs | Pacific Gas & Electric |
| LDCs | PECO Energy Co. |
| LDCs | Peoples Gas Light & Coke Co. |
| LDCs | Public Service Electric & Gas |
| LDCs | Southern California Gas Co. |
| LDCs | Southwest Gas Corporation |
| LDCs | Washington Gas Light Co. |
| LDCs | Wisconsin Gas Company (We Energies) |
| LDCs | Wisconsin Public Service |
| Pipelines | ANR Pipeline Company |
| Pipelines | CMS Panhandle Eastern Pipe Line Co. |



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|-----------|--|
| Pipelines | Columbia Gas Transmission |
| Pipelines | Columbia Gulf Transmission Co. |
| Pipelines | Dauphin Island Gathering Partners |
| Pipelines | Dominion Transmission, Inc. |
| Pipelines | Duke Energy Gas Transmission - Algonquin |
| Pipelines | Duke Energy Gas Transmission - Texas Eastern |
| Pipelines | El Paso Natural Gas |
| Pipelines | Enbridge Pipelines (KPC) |
| Pipelines | Great Lakes Gas Transmission |
| Pipelines | Gulf South Pipeline |
| Pipelines | HS Resources Inc. |
| Pipelines | Iroquois Gas Transmission System |
| Pipelines | Mid Continent Market Center |
| Pipelines | Mississippi River Transmission |
| Pipelines | National Fuel Gas Supply Corp. |
| Pipelines | Natural Gas Pipeline Co of America |
| Pipelines | NOVA Gas Transmission Ltd. |
| Pipelines | Pemex Gas y Petroquimica Basica |
| Pipelines | PG&E Gas Transmission |
| Pipelines | Portland Natural Gas Transmission System |
| Pipelines | Questar Pipeline Co. |
| Pipelines | Reliant Energy Gas Transmission Company |
| Pipelines | Sabine Pipe Line LLC |
| Pipelines | SCANA Corporation |
| Pipelines | Shell Gas Transmission, LLC |
| Pipelines | Southern Natural Gas Co. |
| Pipelines | Tennessee Gas Pipeline |
| Pipelines | TransCanada Pipelines |
| Pipelines | Transwestern Pipeline Co. |
| Pipelines | TXU Lone Star Pipeline Company |
| Pipelines | Vector Pipeline L.P. |
| Pipelines | Viking Gas Transmission Company |
| Pipelines | Westcoast Energy Inc. |
| Pipelines | Williams Gas Pipeline |
| Pipelines | Williston Basin Interstate Pipeline |
| Producer | BP Energy |
| Producer | Burlington Resources |
| Producer | Chevron/Texaco |
| Producer | Conoco, Inc. |
| Producer | Dominion Exploration and Production, Inc. |
| Producer | El Paso Oil and Gas (Previously Coastal Oil and Gas) |
| Producer | ExxonMobil Gas Marketing |
| Producer | Marathon Oil Company |
| Producer | Occidental Energy Marketing Inc. (OEMI) |



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North American Energy Standards Board Wholesale Gas Quadrant Members

| Segment | Member |
|----------|--------------------------------------|
| Producer | Ocean Energy Inc. |
| Producer | PanCanadian Petroleum |
| Services | 8760 Inc. |
| Services | AEP Energy Services, Inc. |
| Services | AIG Energy Trading |
| Services | Aquila Energy |
| Services | Bridgeline Gas Marketing |
| Services | Caminus |
| Services | CapacityCenter.com |
| Services | CGI Group |
| Services | ChooseEnergy |
| Services | Cinergy Marketing and Trading |
| Services | Coral Energy Resources, L.P. |
| Services | DTE Energy Trading, Inc |
| Services | Dynegy Inc. |
| Services | Elite Computer Consultants |
| Services | Enesys |
| Services | Explore Interactive |
| Services | Hatch Associates Limited |
| Services | IDACORP Energy |
| Services | IPNet Solutions, Inc. |
| Services | KW International PLC |
| Services | Latitude Technologies |
| Services | Mirant Americas Energy Marketing |
| Services | Northeast Gas Markets, LLC |
| Services | NRG Power Marketing |
| Services | PanCanadian Energy Services, Inc. |
| Services | PanTech Energy Services |
| Services | PG&E Energy Trading |
| Services | Powerex |
| Services | Resource Data International |
| Services | Sterling Commerce |
| Services | Tatum CIO Partners |
| Services | Tiger Natural Gas |
| Services | Tractebel Energy Marketing, Inc. |
| Services | TXU Energy Trading Co. |
| Services | U.S. Power Solutions Corporation |
| Services | UBS Warburg |
| Services | Westfield Gas & Electric Light Dept. |
| Services | Williams Energy Services Co. |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

The quadrant procedures for both the retail electric (REQ) and retail gas quadrants (RGQ) were accepted by the NAESB Board on March 7, 2002. For the quadrants to become active, they must have a minimum of 40 members per quadrant, and a minimum of five members per segment. Once the membership threshold is met, the quadrants can seat their Board members and Executive Committee members. Both the REQ and the RGQ quadrants have four segments: distributors, suppliers, end users and services.

While the wholesale electric quadrant (WEQ) has not yet prepared its procedures, nor identified its segments, several companies have forwarded letters of intent, which are included in this report.

The Retail Electric Quadrant Letters of Intent have been accompanied by membership letters and the companies noted for the REQ have been billed for membership and are considered members of NAESB.

Retail Electric Quadrant Letters of Intent:

| | Company | Segment Specified | | | | |
|----|---|-------------------|-----|-----|-----|------|
| | | Dist | Sup | End | Svc | None |
| 1 | 8760 Inc. | | | | Y | |
| 2 | Alabama Power Company | Y | | | | |
| 3 | Alabama Power Company | | Y | | | |
| 4 | Allegheny Power | Y | | | | |
| 5 | Ameren Services Company | Y | | | | |
| 6 | American Electric Power | Y | | | | |
| 7 | American Public Power Association | Y | | | | |
| 8 | Baltimore Gas & Electric Company | Y | | | | |
| 9 | Calpine Energy Services, L.P. | | Y | | | |
| 10 | Cinergy Services, Inc. | Y | | | | |
| 11 | Consolidated Edison Co, of New York, Inc. | Y | | | | |
| 12 | Consumers Energy Company | Y | | | | |
| 13 | Defense Energy Support Center | | | Y | | |
| 14 | Detroit Edison Company | Y | | | | |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Retail Electric Quadrant Letters of Intent:

| Company | | Segment Specified | | | | |
|---------|--|-------------------|-----|-----|-----|------|
| | | Dist | Sup | End | Svc | None |
| 15 | Dominion Retail, Inc. | | Y | | | |
| 16 | Dominion Virginia Power | Y | | | | |
| 17 | Duke Power Company | Y | | | | |
| 18 | Dynegy | | Y | | | |
| 19 | EC Power | | | | Y | |
| 20 | Electric Reliability Council of Texas (ERCOT) | | | | Y | |
| 21 | Electricity Consumers Resource Council (ELCON) | | | Y | | |
| 22 | EnCana (PanCanadian Energy Services Inc) | | Y | | | |
| 23 | Energy Services Group, Inc. | | | | Y | |
| 24 | Exelon Energy Delivery | Y | | | | |
| 25 | Georgia Power Company | | Y | | | |
| 26 | Georgia Power Company | Y | | | | |
| 27 | Green Mountain Energy Company | | Y | | | |
| 28 | Gulf Power Company | Y | | | | |
| 29 | MidAmerican Energy Company | | Y | | | |
| 30 | MidAmerican Energy Company | Y | | | | |
| 31 | Mississippi Power Company | Y | | | | |
| 32 | National Grid USA | Y | | | | |
| 33 | Office of Public Advocate, State of Maine | | | Y | | |
| 34 | Ohio Consumers' Counsel | | | Y | | |
| 35 | Pennsylvania Office of Consumer Advocate | | | Y | | |
| 36 | PPLSolutions, LLC | | | | Y | |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Retail Electric Quadrant Letters of Intent:

| Company | | Segment Specified | | | | |
|--------------|---------------------------------------|-------------------|-----|-----|-----|------|
| | | Dist | Sup | End | Svc | None |
| 37 | Public Service Electric & Gas Company | Y | | | | |
| 38 | Reliant Energy Retail Services, LLC | | Y | | | |
| 39 | Savannah Electric and Power Company | Y | | | | |
| 40 | SchlumbergerSema | | | | Y | |
| 41 | Southern California Edison | Y | | | | |
| 42 | Southern Company Services Inc. | | | | Y | |
| 43 | Systrends Inc. | | | | Y | |
| 44 | Telerox | | | | Y | |
| 45 | The Boeing Company | | | Y | | |
| 46 | The Structure Group | | | | Y | |
| 47 | TXU Energy Retail | | Y | | | |
| 48 | Wisconsin Electric - Wisconsin Gas | Y | | | | |
| 49 | Wisconsin Public Service Corporation | Y | | | | |
| | | | | | | |
| TOTAL | | 23 | 10 | 6 | 10 | 0 |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Retail Gas Quadrant Letters of Intent:

| Company | | Segment Specified | | | | |
|---------|--|-------------------|-----|-----|-----|------|
| | | Dist | Sup | End | Svc | None |
| 1 | AGL Resources Inc. | Y | | | | |
| 2 | Amerada Hess Corporation | | Y | | | |
| 3 | Baltimore Gas & Electric Company | Y | | | | |
| 4 | Consolidated Edison Co, of New York, Inc. | Y | | | | |
| 5 | Consumers Energy Company | Y | | | | |
| 6 | Dominion Delivery | Y | | | | |
| 7 | Duke Energy Gas Transmission, LLP | | Y | | | |
| 8 | Dynegy | | Y | | | |
| 9 | Indiana Office of Utility Consumer Counselor | | | Y | | |
| 10 | KeySpan Energy Delivery | Y | | | | |
| 11 | Michigan Consolidated Gas Company | Y | | | | |
| 12 | National Fuel Gas Distribution Corporation | Y | | | | |
| 13 | Niagara Mohawk | Y | | | | |
| 14 | NiSource Energy Distribution Group | Y | | | | |
| 15 | Office of Public Advocate, State of Maine | | | Y | | |
| 16 | Ohio Consumers' Counsel | | | Y | | |
| 17 | Orange and Rockland | Y | | | | |
| 18 | Peco Energy Company | Y | | | | |
| 19 | Pennsylvania Office of Consumer Advocate | | | Y | | |
| 20 | Peoples Gas System | Y | | | | |
| 21 | Public Service Electric & Gas Company | Y | | | | |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Retail Gas Quadrant Letters of Intent:

| Company | | Segment Specified | | | | |
|---------|---|-------------------|-----|-----|-----|------|
| | | Dist | Sup | End | Svc | None |
| 22 | Questar Gas Company | Y | | | | |
| 23 | Southwest Gas Corporation | Y | | | | |
| 24 | Systrends | | | | Y | |
| 25 | The Boeing Company | | | Y | | |
| 26 | TXU Energy Retail | | Y | | | |
| 27 | Washington Gas Light Company | Y | | | | |
| 28 | Wisconsin Public Service Corporation | Y | | | | |
| 29 | Wisconsin Electric Wisconsin Gas ¹ | Y | | | | |
| TOTAL | | 19 | 4 | 5 | 1 | 0 |

¹ Transferring membership from Wholesale Gas Quadrant of NAESB to Retail Gas Quadrant.

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Wholesale Electric Quadrant Letters of Intent:

| | Company | Segment Specified |
|----|--|--------------------------|
| 1 | 8760 Inc. | Services |
| 2 | Allegheny Energy Supply | Generation |
| 3 | Allegheny Energy Supply | Marketer/Broker |
| 4 | Allegheny Power | Transmission |
| 5 | Allegheny Power | Load Serving Entity |
| 6 | American Electric Power | Transmission |
| 7 | Calpine Corporation | None |
| 8 | Calpine Energy Services, L.P. | None |
| 9 | Cinergy | None |
| 10 | Conectiv Energy Supply, Inc. | Generation |
| 11 | Consolidated Edison Co, of New York, Inc. | None |
| 12 | Duke Energy North America | None |
| 13 | Dynegy | None |
| 14 | El Paso Corporation | Generation |
| 15 | El Paso Merchant Energy | Marketing |
| 16 | Electric Reliability Council of Texas (ERCOT) | Transmission |
| 17 | Electricity Consumers Resource Council (ELCON) | End User |
| 18 | Entergy Services, Inc. | Transmission |
| 19 | Exelon | None |
| 20 | Florida Power & Light Company | None |
| 21 | IDACORP Energy | None |
| 22 | Michigan Public Power Agency | Distribution/LSE |

**NORTH AMERICAN ENERGY STANDARDS BOARD
COMPANIES INTENDING JOINING QUADRANTS AND SENDING
LETTERS OF INTENT**

Wholesale Electric Quadrant Letters of Intent:

| | Company | Segment Specified |
|----|---|--------------------------|
| 23 | Mirant Americas Energy Marketing, LP | None |
| 24 | PG&E National Energy Group | None |
| 25 | Powerex | Marketing |
| 26 | PPL Electric Utilities Corporation | Transmission |
| 27 | PSEG Energy Resources and Trade LLC | Marketing |
| 28 | PSEG Power LLC | Generation |
| 29 | Public Service Electric and Gas Company | Distribution/LSE |
| 30 | Public Service Electric and Gas Company | Transmission |
| 31 | Reliant Energy HL&P | Transmission |
| 32 | Reliant Energy Power Generation | Generation |
| 33 | Reliant Energy Services, Inc. | Marketing |
| 34 | Southern Company Services – Generation and Energy Marketing | Load Serving Entity |
| 35 | Southern Company Services – Generation and Energy Marketing | Generation |
| 36 | Southern Company Services – Generation and Energy Marketing | Marketing |
| 37 | Southern Company Services, Inc. | Transmission |
| 38 | The Boeing Company | End User |