

*Interim Working Draft*

North American Energy Standards Board  
Bylaws Addendum

Exhibit 4

Retail Electric Quadrant Procedures

**General Note to all parties reviewing these draft REQ Procedures:**

This version 3.0 of the document incorporates an addendum. The addendum preserves issues contained in prior / now removed subsections and reader notes that prospective REQ members believe should be addressed in either 1) NAESBops or 2) as amendments to the NAESB Bylaws. The addendum is attached only for the purposes of retaining this information in a single location, and would not become part of Bylaws Exhibit 4.

Revisions to V2.3 are shown in **red** within this document.

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**Section 1 Definitions****1.1 Definitions Included In NAESB Bylaws**

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

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

- A. "NAESB Office" means the administrative office of the Secretary of NAESB.
- B. "REQ" means the Retail Electric Quadrant.
- C. "REQ Designated Alternates" mean the group of individuals selected by each Segment Membership to serve in the stead of REQ EC representatives who are temporarily unable to attend EC meetings.
- D. "REQ EC" means the Executive Committee of the REQ.
- E. "REQ Members" means the Voting Members of the REQ collectively.

- F. "REQ Segment" means one of the co-equal Membership Segments of the NAESB Retail Electric Quadrant representing the following four (4) segments of the retail electric industry: Distributors, End Users, Services, and Suppliers.
- G. "Segment Membership" means the Segment Members collectively.
- H. "Segment Procedures" means the procedures attached to this document as exhibits for each of the Segments, as amended.

## Section 2 Purposes, Scope, **Activities** & Policies

### 2.1 **Purposes , Scope & Activities**

#### A. **Purpose**

The purpose of the Retail Electric Quadrant of the North American Energy Standards Board (NAESB) is to propose, evaluate and adopt voluntary standards and model business practices to promote competitive, efficient and reliable service in the retail electric industry.

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

The Retail Electric Quadrant is to address issues and practices that are within the scope of NAESB and appropriate to electric usage at the individual consumer level—that is, usage by an individual, partnership, corporation, or other entity consuming electricity at one or more facilities served by an electric distributor.

The REQ shall work closely with other NAESB Quadrants to strive for consistency where proposed Standards and Model Business Practices affect those other Quadrants.

### 2.2 **Policies**

The Retail Gas Quadrant shall comply with the policies and procedures laid out in the bylaws and the certificate of incorporation of NAESB.

### 2.3 **Segment Organization & Membership Requirements**

Each prospective Member shall declare the Segment with which they are to be identified.

1. **Distributors**  
Persons engaged in the local distribution of electricity.
2. **End Users**  
Persons that consume electricity, or who represent consumers of electricity.
3. **Services**  
Persons that provide services to participants in the retail electric industry, including equipment manufacturers, equipment vendors, software providers, consultants, and other companies or individuals not otherwise eligible for Membership in another Segment.
4. **Suppliers**  
Persons engaged in the competitive sale of electricity *[commodity & capacity?]* to end users.  
*[equivalency to prior RGQ definition would have added: "... sale of electricity and / or transmission capacity, including marketers (retail, wholesale), aggregators, producers, asset managers and transmission system operators." this would mix 'unregulated' entities with FERC regulated entities, as does the RGQ's definition; let's reconfirm our intent and desired wording on this one]*

**[There are no additional requirements in these procedures to those stated in Sections 3 & 4 of the NAESB Bylaws]**

## **Section 5 Members**

### **5.1 Voting Members**

Membership and voting rights in the REQ of NAESB shall be open to any Member that meets the following requirements:

- A. The Member has a legitimate business interest<sup>1</sup> in the retail electric market (or is a representative or Agent of such person), as determined by a simple majority of the segment Membership.
- B. Representatives designated by any person in any Segment should have the authority to represent the interests of the person seeking Membership in the Segment.
- C. Memberships in multiple Segments of the REQ are permissible for any person provided each Membership is filed and declared with NAESB, the person meets the Membership requirements of each Segment joined, and Membership dues are paid for each Segment.
- D. Only one Membership per Segment is permissible for any person.

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<sup>1</sup> as used in this section, "significant business interests" specifically includes the interests of statutorily appointed consumer advocates

- E. Multiple companies under common control within a corporate organization that desire to become Members must join individually. Members cannot extend their Membership to their parent company, affiliates, or subsidiaries.
- F. The Member may be a trade association or an advocacy group representing a group of prospective members, provided that the trade association or advocacy group meets the requirements defined by its declared Segment in Segment Procedures.

**[There are no additional requirements in these procedures to those stated in Sections 5.2 through 5.4 of the NAESB Bylaws]**

## **5.5 Removal of Members**

Members who cease to have a significant business interest pertaining to the descriptions contained in Section 2.3 may be removed from Membership by a simple majority vote of their declared Segment Membership.

## **Section 6 Meetings of the Members**

All meetings held in association with the NAESB organization or the REQ are open to any interested person. From time to time, there will be joint meetings of the REQ with other Quadrants within NAESB, and Segments will meet jointly to transact Quadrant business.

## **Section 7 Board**

### **7.1 Board Representation**

The REQ shall elect Directors to the Board from each Segment in accordance with Segment Procedures.

### **7.2 Qualifications of Directors**

#### **A. Eligibility**

To be eligible to serve as a representative on the NAESB Board of Directors, the person must be willing to commit the time and resources necessary to fulfill the obligations as a REQ EC Member and to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 9.7(f), and any other applicable provisions, as set forth in the NAESB Bylaws.

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

No two Directors elected by the REQ may be employees of the same Member holding Membership in multiple Segments within the Quadrant. This restriction does not prohibit election of two Directors from two affiliated companies within a holding company which each have individual Member status, or from two companies with a parent-subsidary relationship, provided that the two Directors from companies with such a relationship represent Members of differing Segments.

**C. One Office Per Member Representative**

Directors elected from the REQ may not hold both a Board seat and a seat on the [REQ?] EC at any point in time. If an REQ EC Member representative is elected as a Director from the REQ, their [REQ?] EC seat is vacated when the Board seats them as a Director.

**7.3 Number and Election of Directors****A. Number of Directors**

The REQ shall elect sixteen (16) NAESB Directors, subject to the provisions of Section 19 of these Procedures. Each Segment of the Quadrant will elect four (4) Directors, subject to the provisions of Section 19 of these Procedures.

**B. Election of Directors**

Nominations for and election of all Directors will be in accordance with Segment Procedures, or in the absence of Segment Procedures, as follow.

In preparation for any election of NAESB Directors (other than initial Directors, as provided for in Section 19),

1. A nominating committee consisting of five EC Members of the REQ comprised of one Member from each Segment plus the EC Vice-Chair, shall *identify* a slate of *potential* candidates from the Segment Membership.
2. Other nominations may be made at or prior to the close of the REQ End User Segment nomination period by any Segment Member eligible to serve on the Board of Directors by submitting their name to the NAESB Office in a form as specified in NAESB Operating Procedures, if such requirements exist.
3. All nominations must be made and conveyed in writing to the NAESB Secretary no less than 31 days prior to the election date.

## 7.4 Term of Office

### A. Terms

Directors shall be elected for two-year terms, with half of the terms expiring in alternating years.

1. Two Directors will be elected from each Segment each year to fill expiring terms.
2. Group A Directors will have their terms expire in odd numbered years.
3. Group B Director terms will expire in even numbered years.
4. Term expiration will be in conjunction with the end of the operating year of NAESB or as otherwise defined by the Board, Certificate of Incorporation or Bylaws, as amended.

### B. Limit on Number of Terms of Office

Directors elected from the REQ may run for re-election without restriction on the number of terms held.

### C. Change of Affiliation

In the event that the Director changes affiliation

1. to another Member within his/her industry Segment, the Director's term will continue until its natural expiration, provided that there is no other Director already representing the same Member, in which case the Director changing his or her affiliation will vacate their seat for election of a new Director;
2. and is no longer affiliated with their electing industry Segment, the Director will vacate their seat for election of a new Director.

## 7.5 Vacancies

In the event that a Director resigns or otherwise vacates their Board seat, **and more than 120 days remains in the term of office, the Segment** will hold an election within 60 days to fill the vacant seat.

## 7.6 Removal of Directors

In addition to being subject to removal from office by the NAESB Board of Directors, Directors may also be removed from office **for cause. Prior to voting on such resolution, the REQ Segment shall give the Director at least 30-day notice of the proposed action and an opportunity to respond. A 75% majority of the REQ Segment Membership shall be required to remove a Director.** The vacant seat is to be refilled in accordance with the requirements of Section 7.5.

**[There are no additional requirements in these procedures to those stated in Sections 8 & 9 of the NAESB Bylaws]**

----- End of Revisions to v2.3 -----

## SECTION 10 EXECUTIVE COMMITTEE

### 10.1 Duties and Responsibilities Within Quadrant EC

#### A. Chair Rotation

The REQ EC shall elevate the prior year Vice Chair of the Quadrant EC to Chair of the REQ EC at its first meeting in the new operating year and elect a new Vice Chair. If the Vice Chair is vacant at the time of the first meeting of a new operating year, both a Chair and Vice-Chair will be elected.

#### B. Meeting Minutes

The REQ EC shall designate an EC Secretary responsible for production of meeting minutes per NAESB Operating Procedures. This may involve an individual assigned this responsibility on a permanent basis, or an agreement on how to designate a person or persons responsible for recording minutes of each meeting.

*Note: Past GISB practice has been to have the NAESB Office take minutes and distribute them. Provisions in A(2) would possibly relieve the Office of the problem of dealing with simultaneous meetings in multiple quadrants, possibly at different locations, and might allow them to focus upon minutes distribution. Please indicate whether you would prefer that the NAESB Office continues past practice, or have the Quadrant EC determine how to deal with meeting minutes.*

### 10.2 Qualifications of EC Members

#### A. One Office Per Representative

EC Members elected from the REQ may not hold both a Board seat and a seat on the Executive Committee at any point in time. If an EC Member is elected to the Board from the REQ, their EC seat is vacated when the Board seats them as a Director.

*Note: Should the above be amended to "EC Member representatives"? As written, can be interpreted that no Member may hold both an EC seat and a Board seat, whereas the intent is that no Member representative can hold both.*

#### B. One EC Seat per Member

No two EC Members elected by the REQ may be employees of the same Member holding Membership in multiple Segments within the Quadrant. This restriction does not prohibit election of two EC Members from two affiliated companies within a holding company which each have individual Member status, or from two companies with a parent-subsidiary relationship, provided



that the two EC Members from companies with such a relationship represent Members of differing Segments.

**Note: No other requirements have been proposed regarding qualifications to be an EC representative; the draft RGQ document addresses additional requirements similar to those noted in the discussion of Section 7.2:**

- a Member of the Quadrant;
- a "functional manager" in the organization represented
- a broad understanding of the industry
- a working knowledge of the NAESB process
- willing to commit the time and resources necessary to
- fulfill the requirements of NAESB Bylaws
- disclosing of their interest, or their employer's interests in
- the industry

**Does the prospective REQ membership wish to add provisions similar to those proposed by the RGQ? If so, which ones and how should they be stated?**

### 10.3 Number and Election of EC Members

#### A. Number of EC Members

The REQ shall elect sixteen (16) EC Members, subject to Section 19 of these Procedures, with each Segment electing four (4) of these EC Members, pursuant to procedures established by that Segment. All EC representation from the REQ will be comprised of an equal number of representatives elected from each Segment of the Quadrant.

**Note: Unresolved question is:  
"How many EC representatives from the REQ?"**

***In reviewing this subsection, see also the discussion regarding issues in Section 19, and the provisions contained in the draft RGQ document. RGQ is proposing 24 EC representatives from their Quadrant, on the belief that having more seats available attracts greater membership. Having different numbers of EC Members from each Quadrant is not a violation of the Bylaws. Please indicate your preference as well as your suggested rewording, if applicable.***

#### B. Election of EC Members

Nominations for and election to an EC seat will be in accordance with Segment Procedures, and the following requirements  
In preparation for any election of EC Members (other than initial EC Members, as provided for in Section 19,

1. a nominating committee consisting of five EC Members of the REQ comprised of one Member from each Segment plus the EC Vice-Chair, shall develop a slate of candidates from the Segment Membership;

2. other nominations may be made at or prior to the close of the REQ End User Segment nomination period by any Segment Member eligible to serve on the EC by submitting their name(s) to the NAESB Office in a form as specified in NAESB Operating Procedures if such requirements exist;
3. all nominations must be made and conveyed in writing to the NAESB Secretary no less than 31 days prior to the election date.

**Note:** *General agreement in the Jan 29th meeting would move the election mechanisms shown here in 10.3(B) to the Segment Procedures documents. See also the additional provisions contained in the RGO draft document. Please indicate your preference regarding the mechanisms and language stated above or some other mechanism / language to those individuals drafting your Segment Procedures.*

#### C. **Timing of Elections**

Subject to the provisions of Section 19, election of EC Members shall occur in the same month for all Segments of the REQ, and shall be coordinated by the existing REQ Executive Committee. The EC will ensure that the requirements of this Section are satisfied by each Segment's slate of candidates prior to any actual voting by any Segment.

**Note:** *General agreement in the Jan 29th meeting would move the election mechanisms shown here to either NAESBops or the Segment Procedures documents.*

- a) *The timing of elections is an issue for all four Quadrants.*
- b) *Current NAESB / former GISB practice is to have the NAESB Office coordinate all elections rather than the EC.*

*Please indicate your preference regarding these provisions and include your Segment representatives in your response.*

#### D. **Term of Office**

EC Members shall be elected for two-year terms, with half of the terms expiring in alternating years.

1. Subject to the provisions of Section 19, two EC Members will be elected from each Segment each year to fill expiring terms.
2. Group A EC Members will have their terms expire in odd numbered years.
3. Group B EC Member terms will expire in even number years.
4. Terms of office will end in conjunction with end of the operating year of NAESB or as otherwise defined by the Board of Directors, Certificate of Incorporation or Bylaws, as amended.

**Notes:**

*The equivalent of this subsection regarding Directors falls within Section 7.4 to be aligned with Bylaws section numbering; there is no equivalent section in the Bylaws for this topic with the EC. The remainder of this section is numbered to achieve alignment with Article 10 of the Bylaws.*

***RGQ is proposing a 3 year term of office. Do you have a preference on this?***

**E. Limit on Number of Terms of Office**

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

***Note: Do you want to restrict the number of terms an individual representing a member may serve?***

**F. Change of Affiliation**

In the event that the EC Member

1. changes affiliation to another Member within his/her industry Segment, the EC Member's term will continue until its natural expiration, provided that there is no other EC Member already representing the EC Member's new affiliation, in which case the EC Member changing affiliation will resign their seat for election of a new EC Member.
2. is no longer affiliated with their electing industry Segment, the EC Member will vacate their seat and a new EC Member will be elected to fill the seat.

## **10.4 EC Meetings**

**A. REQ EC Meetings**

1. REQ EC meetings shall be held at times and locations determined by the Chair or Vice-Chair of the REQ EC. EC Members may participate and vote by means of tele-conference or other electronic means unless in-person attendance is required of all EC Members by both the Chair and Vice-Chair of the EC, and subject to the attendance requirements of Article 10, Section 10.4(j) of the Bylaws.
2. Attendance records shall be reviewed by the person acting as Secretary of the EC during the course of each Quadrant EC meeting for compliance with NAESB Bylaws for the term of office served by each current Quadrant EC Member. The Secretary shall advise any EC Members of their status regarding risk for failure to comply with the Bylaws participation requirement.

***Note: These provisions may be better positioned in NAESBops than in Quadrant Procedures, as the issues are common to all Quadrants. Please indicate whether you feel these belong in the Bylaws, NAESBops, or this document.***

**B. Joint EC Meetings**

1. In the event that the EC of the REQ meets jointly with an EC of another NAESB Quadrant, the choice of Quadrant EC Chair presiding

over the joint meeting will be determined by the precedence established in the order of rotation of Vice-Chairs as specified in the NAESB Bylaws.

2. In the event that the REQ EC Chair or Vice-Chair is presiding over a joint meeting, recording and preparing meeting minutes will be in accordance with normal procedures adopted by the REQ EC for all REQ EC meetings.

*Note: These provisions may be better positioned in NAESBops than in Quadrant Procedures, as the issues are common to all Quadrants. Please indicate whether you feel these belong in the Bylaws, NAESBops, or this document.*

## 10.5 EC Subcommittees

### A. Establishing Subcommittees & Task Forces

The EC of the REQ shall set up its own subcommittees and task forces to deal with REQ-specific issues.

The Executive Committee may establish voluntary standing subcommittees or special purpose task forces to perform various functions required of the organization.

1. The Executive Committee will prepare a written statement of the purpose of the subcommittee or task force and the tasks to be performed, name the subcommittee or task force, state if balanced voting among the Segments is applicable, and appoint a temporary chair.
2. The Temporary Chair may be a Member of the Executive Committee or any REQ Member willing to perform the required startup tasks and to continue chairing the subcommittee / task force if elected by the Members its first meeting.
3. The Temporary Chair shall
  - a) set up the first meeting of the subcommittee or task force, and
  - b) prepare a meeting notice that:
    - (i) states the name and purpose of the subcommittee / task force,
    - (ii) solicits participation in the subcommittee / task force,
    - (iii) announces the agenda for the first meeting, and
  - c) send the meeting notice to all Members and non-members who have participated in Quadrant activities in the last twelve months.
  - d) send the notice at least two weeks prior to the meeting date. Shorter time periods for notices of subsequent meetings will be permitted by a 75% vote of the participants attending a duly scheduled meeting.

4. All meeting notices shall be posted on the NAESB website and transmitted in writing, facsimile, or other electronic means to parties who have indicated an interest in the duly scheduled meeting.
5. The permanent subcommittee / task force Chair may be any REQ Member.
6. Participation on subcommittees or task forces is open to any interested party.

**B. Meeting Minutes**

Each EC subcommittee or task force will designate a meeting Secretary responsible for recording and reporting voting results, keeping regular minutes of its proceedings and providing copies of those minutes promptly to the NAESB Executive Director's office in accordance to reporting criteria established by the EC.

**C. Reporting**

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

**D. Balanced Representation**

Each EC subcommittee / task force will strive for balanced representation and balanced voting between Segments, and participation shall be open to all NAESB Members and other interested parties, without regard to whether the participant is a paid Member of NAESB in good standing.

*Note: General consensus of the Jan 29th meeting was that the entire subsection 10.5 belongs in NAESBops. It is kept here to preserve it until this is agreed upon by NAESB.*

## **10.6 - Removal of EC Members**

**A. Nonparticipation**

1. Failure to meet the Bylaws in-person attendance requirements [Article 10, Section 10.4(j)] for reasons other than hospitalization or temporary disability requires:
  - a) issuing a notice of non-compliance to the Quadrant Membership and
  - b) a vote for removal of the Executive Committee Member from their seat within 30 days of failing to comply.
2. If the REQ Membership does not vote for removal of the EC Member, the Secretary or EC Chair may call for another removal vote by the Quadrant Membership following the next EC review of participation records if the EC Member's attendance record still does not satisfy the Bylaws requirements.

**B. Resignation or Ineligibility**

An EC Member shall cease to be a Member of the EC upon any of the following:

1. The resignation of REQ End User Segment Membership by the Member whom they represent;
2. The lapse of the Segment Membership dues of the Member whom they represent;
3. The EC Member's resignation, removal, or death;
4. The first day of the NAESB operating year following an election for the seat held by the EC Member, wherein the EC Member was not re-elected by the Segment Membership as declared by the NAESB Secretary;
5. Receipt by the NAESB Secretary of a rescission letter indicating that the individual no longer represents the Segment Member.
6. Election of the EC Member to a Board seat, and seating of the EC Member as a Director.

C. **Other Cause**

EC Members may be removed from office by the Quadrant Membership at any time upon a 75% majority vote of the Quadrant Membership and a simple majority (51%) of each of the Segments of the REQ. The vacant seat is to be refilled in accordance with Section 10.7.

**Notes:**

- a) *Discussions on Jan 29th would have portions of Section 10.6 as written above relocated to the individual Segment Procedures. Please indicate your preference on this, and if you agree, which provisions should go to the Segments.*
- b) *RGQ document provides for a 30 day notice period to the EC Member of intent to vote for removal, and providing an opportunity to respond. Please indicate your preference on including such a provision.*
- c) *should the vote for removal be a 75% majority, 67%, some other %, a simple majority of the Quadrant, or should only the Segment vote for removal and at what % majority? Please indicate your preference on this point.*

## 10.7 Vacancies

In the event that an EC Member resigns or otherwise vacates their seat, the Quadrant will hold an election within 60 days to fill the vacant seat with a candidate from the same Segment as the original EC Member, subject to the following provisions:

1. If the vacancy occurs with less than 125 days remaining in the EC Member's term of office, the seat will remain vacant until filled by election of a new EC Member to a term commencing in the next operating year, and a Designated Alternate will serve until expiration of the term.

2. All other vacancies will be filled by special election; such special elections are to be formally noticed to the Segment Membership by the Segment Vice-Chair or Chair within 15 days of when the creation of the vacancy becomes known and held within 60 days of the creation of the vacancy. Candidates will be designated by the normal nomination process or selected by the remaining EC Members of the Segment from Segment Membership. Candidates elected to fill the vacancy will serve the remainder of the term, and may stand for re-election.

Until an election is held and a new EC Member is elected, a Designated Alternate will serve in the open EC seat.

## 10.8 Voting

Only Members of the REQ EC shall have the right to vote to adopt standards or model business practices for the REQ. Quadrant voting procedures will be in accordance with NAESB Bylaws.

## 10.9 Designated Alternates

### A. Authority

Any person presenting themselves at an EC meeting as a Designated Alternate will be accepted as a participant provided that:

1. An EC Member from that Segment either indicates to the NAESB Office, EC Chair or Vice-Chair that they will be absent, or is in fact absent and remains absent, and
2. The name of the Designated Alternate is on a list of approved Designated Alternates selected by the appropriate Segment Membership according to these Procedures or Segment Procedures, and on file with both the NAESB Office and the EC.

### B. Election of Designated Alternates

1. Each Segment will select no more than three (3), and no less than one Designated Alternate EC representative in each election year, allowing for up to twelve (12) Designated Alternates overall.
2. Designated Alternates will be selected annually by the same election that determines new EC Members, with those unsuccessful EC Member candidate(s) receiving the greatest number of votes becoming a Designated Alternate in the event that there already are or are expected to be less than three Designated Alternates from the Segment in the coming year.

*Note: Discussion on Jan 29th suggested that election of Designated Alternates should be defined in Segment Procedures, thus this subsection should be found there in some equivalent form. The*

*question remains open as to how they should be designated or elected. RGQ draft proposes a separate election rather than the mechanism shown here. As explained in the discussions on Jan 17th, that approach may be more successful in attracting people to serve as Designated Alternates and should be considered in place of the provisions shown here. Please indicate your preference to your Segment representatives.*

3. A Designated Alternate will attend and vote at meetings of the EC of the REQ or of the larger EC of NAESB, when one or more regular EC Members from the Segment are unable to attend a meeting of the EC and when the absent EC Member or the Vice-Chair of the REQ EC requests their attendance as a Designated Alternate.

*Note: RGQ goes further and states that "a Designated Alternate holds identical voting rights as the EC Member in whose place he or she serves, except for those matters on which the EC Member has already voted by notational ballot prior to the beginning of the meeting". Similar provision probably should also appear in this document, and could logically replace the current subsection (B)(2) if it moves to Segment Procedures. Please indicate your agreement or disagreement with this change.*

**[ SECTIONS 11 – 18 Reserved for future use ]**

## **SECTION 18 AMENDMENTS**

*Note: Amending this document once it is adopted by the Board was not addressed in prior drafts, and is needed. Proposal is to adopt the RGQ language for this section. Please either indicate your agreement or provide alternative language to deal with this issue.*

## **SECTION 19 TRANSITION PROCEDURES**

The requirements of the NAESB Bylaws for a minimum of 5 Members per Segment and 40 Members per Quadrant do not provide for enough Members to satisfy the REQ requirements for election of Directors and EC Members as stated in Sections 7 and 10 of these Procedures. Consequently, until a Segment of the Quadrant has at least eight (8) Members, the number of Directors and EC Members elected by the Segment Membership will be halved, to 2 Directors and 2 EC Members per Segment and Segment balanced voting will remain intact by adjusting the weight of all votes to achieve balance between Segments in the REQ. The following provisions in this Section 19 will apply and supercede the requirements of Sections 7 and 10 until the REQ Segment achieves a minimum of eight (8) Members.



*Note: The exact transition mechanisms incorporated in this section need to be carefully considered, and do not need to be the same as that used in other Quadrants. In particular, while reviewing this section, consider the impact of having only two Directors or EC representatives, rather than a larger number. Since the Certificate of Incorporation (Art. V) requires a 75% overall vote & 40% vote by Segment in favor at the Board level and a 67%/40% vote in favor at the EC level for issues before each, having only 2 Directors or EC representatives in any Segment provides one person with de facto veto power on any given issue.*

*The RGQ document has now incorporated a draft transition mechanism that requires a minimum of 4 Directors and EC representatives per Segment, increasing to their proposed 6 of each per Segment over specified time intervals. NAESB Bylaws do not prohibit operation with empty seats on either the Board or EC. Please consider whether the REQ should require 2, 3, 4, 5 or 6 Directors and EC representatives overall per Segment (see also Sections 7.2 & 10.2). Then please consider how many should be required to begin Quadrant activities, and provide your viewpoint in a written response.*

## **19.1 Initial Election of Directors**

### **A. Selection**

Acceptance of the REQ by the Board will involve seating of the REQ Directors at the NAESB Board meeting at which an acceptance vote is cast. This requires that there be REQ Directors who may be seated.

The founding membership of the REQ will elect Directors of their choosing by means that are reasonably consistent with NAESB Bylaws and the requirements of Section 7 of these Procedures, subject to the conditions addressed by this Section. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the group. Such elected representatives will be presented to the NAESB Board for acceptance as Directors of the REQ, and acceptance by the Board will place all the requirements and restrictions of the Bylaws, including these Procedures, upon those individuals.

### **B. Term of Office of Initial Directors**

1. In the event that Directors are elected from a Segment with at least five (5), but less than eight (8) Members, two Directors will be elected, each to serve a 3 year term, and both will be either Group A or Group B directors as determined by the expiration year of their original term.
2. In the event that a Segment has eight (8) or more Members, four Directors will be elected. The two candidates having the most votes will serve three (3) year terms. The remaining two Directors elected by lesser vote counts will serve two year terms.

### **C. Interim Elections of Directors**

In the event that any Segment within the Quadrant achieves a minimum membership of eight Members after operating with less for a period of time after an election held under the requirements of Section 19.1(B), then

1. a second election of Directors shall be held within 60 days of the addition of the eighth Member of the Segment in order to select two additional Directors from that Segment to serve alongside the initially elected Directors;
2. the term of office of the second group elected at this time will expire one year prior to the term of the initially elected Directors, thereby allowing for two Group A and two Group B Directors from each Segment.

*Note: This subsection should include an expiration for its provisions of less than 2 years beyond acceptance of the Quadrant into NAESB. Elections held during the second year under these provisions would result in the second group of Directors serving for a single year before standing for re-election.*

*In addition to stating your preference for how many interim directors should be elected, also indicate the time limit you feel is appropriate for the transition procedures: 1 year, 18 months, 2 years, other ...*

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

### **A. Selection**

Acceptance of the REQ by the Board will involve seating of the REQ Directors at the NAESB Board meeting at which an acceptance vote is cast. Initial operation of the REQ will require that an Executive Committee be in place.

The founding membership of the REQ will elect an EC of their choosing by means that are reasonably consistent with NAESB Bylaws and the requirements of Section 10 of these Procedures, subject to the conditions addressed by subsection B of this Section 19.2. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the group. Such elected representatives will be presented to the NAESB Board for acceptance as representatives of the REQ, and acceptance by the Board will place all the requirements and restrictions of these Procedures upon those individuals.

### **B. Term of Office of Initial EC Members**

The initial group of EC Members will serve a 2 year term of office as either Group A or Group B Members, as determined by the expiration year of their original term of office.

1. In the event that EC Members are elected from a Segment with at least five (5), but less than eight (8) Members, two EC Members will be elected, each to serve a 3 year term, and both will be either Group A or Group B EC Members as determined by the expiration year of their original term. The candidate with the greatest number of votes

will be designated the EC Chair; in the event of a tie vote, a coin toss will determine the EC Chair and Vice-Chair positions.

2. In the event that a Segment has eight (8) or more Members, four EC Members will be elected. The two candidates having the most votes will serve a three (3) year term. The remaining two EC Members elected by lesser vote counts will each serve a two year term. A separate election within the EC will determine which Member becomes the Chair and which becomes the Vice-Chair, by vote of the four EC Members.

**C. Interim Elections of EC Members**

In the event that the Segment achieves a minimum Membership of eight Members after operating with less for a period of time following an election held under the provisions of Section 19.2(B), then

1. A second election of EC Members shall be held within 60 days of the addition of the eighth Member of the Segment in order to select two additional EC Members from the Segment to serve alongside the initially elected EC Members;
2. The term of office of the second group elected at this time will expire one year prior to the term of the initially elected EC Members, thereby allowing for two Group A and two Group B EC Members from each Segment.
3. The previously elected Chair and Vice-Chair of the Quadrant EC will continue in their official role until the end of the operating year. Chair rotation will proceed per the requirements of Section 10.1.

**Note: Again, please consider how long these transition provisions should remain in place and provide your view in your comments.**

**19.3 Balanced Voting During the Transition Period**

Any Segment which has elected Directors or EC Members under the provisions of this section will retain the full Segment votes entitled to it under the Balanced Voting principle of the Bylaws, and its representatives' votes will count for either one or two Segment votes as is appropriate to the situation.

## Issues Which Need To Be Addressed By NAESB

### 1. One Individual, One Vote

NAESB's Certificate of Incorporation provides Members with voting rights as follows:

#### **Article V. Section 2.**

*Voting members shall be entitled to one vote each at meetings of members, except that procedures attached to the By-Laws may provide for weighted or limited voting for members of any Segment, if such By-Law provision is first approved by a majority of the Directors representing such Segment. ...*

Members also select their representatives per the requirements of Section 5.1 of the Bylaws:

- (i) *Each Voting Member shall be entitled to one (1) vote in person or by proxy, and shall designate in writing the individual authorized to cast that vote.*

In crafting these REQ Procedures, the group identified a situation that arises with the expansion of NAESB from one former "quadrant" to four quadrants:

Any given person holding individual Members status in Segments existing within two different quadrants could designate the same individual as their representative in both Segments. This creates the possibility that one person could represent opposing or differing interests in the joint proceedings of a subcommittee, task force, or the EC, or the Board. Such a situation would create confusion during discussions at the subcommittee / task force level, and the prospect that one individual could cast more than one vote at the EC or Board level.

The prospective REQ membership recommends that NAESB consider the following potential remedies:

1. Prohibition of any individual from holding no more than one EC seat, or more than one Board seat, through an amendment of the Bylaws in Section 5, or in Sections 7 and 10.
2. Defining in NAESBops whether any authorized representative of a Voting Member, Non-Voting Member, or Non-Member who represents the Person in multiple Segments which are engaged in a joint subcommittee or task force must be, or need not be required to make a declaration of a single Segment affiliation at the commencement of their participation on the subcommittee or task force which must not change for the duration of the subcommittee / task force activities,

and which may be the only representation for which they cast votes during subcommittee / task force proceedings.

**Analysis:** The NAESB meetings subject to the second issue are those of subcommittees, task forces, and other similar groups where all interested parties (NAESB Members and non-members) are permitted to participate and vote on issues. It is the prospective REQ participants understanding that NAESB's current meeting procedures and practices under NAESB's Wholesale Gas Quadrant (WGO) limit a meeting attendee's (NAESB Members and non-members) voting rights to a single vote in the Segment designated by the attendee at the start of each meeting. It is assumed that meeting attendees include those attendees in person and via telephone conference. Several prospective REQ participants believe that this understanding is not consistent with the NAESB Certificate on voting rights for NAESB Voting Members when considering multiple-quadrant meetings in which a Member holds multiple Segment Memberships. Several prospective REQ participants believe that a NAESB Voting member should be able to designate by proxy an individual to represent their joint interests in multiple Segments even in joint meetings and that such individual should have the same number of votes as such individual has proxies from NAESB Voting Members.

**Resolution:** The prospective REQ group is requesting that the NAESB Board of Directors issue a finding on whether the prospect of having one individual able to cast two votes in a joint meeting is or is not inconsistent with the NAESB Certificate or Bylaws. If the provision is consistent with NAESB Certificate and Bylaws, does the NAESB Board of Directors otherwise feel that this provision is unfair to any NAESB Member's voting rights or contrary to NAESB stated principles under Article 2, Section 2.2 Policies, of NAESB Bylaws.

## 2. **Timing of Elections**

Election of Directors and EC representatives should occur in the same month for all Segments of the REQ, and should be coordinated by the NAESB Office for consistency. The prospective REQ members propose that NAESBops specify that all NAESB elections be held in the same month, with term expirations on the same date, and with all elections coordinated by the NAESB Office.