##### April 14, 2014

**TO:** NAESB Gas-Electric Harmonization Forum

**FROM:** Jonathan Booe, NAESB Vice President

**RE:** NAESB Participation and Voting Procedures Review for the GEH Forum

**NAESB Super Majority Balanced Voting Procedures**

For voting in the NAESB GEH Forum, it was determined that for non-administrative motions, the group will use a balanced super-majority vote that coincides with the standards voting procedures used by the Executive Committees of NAESB – namely, 67% affirmative vote overall of each quadrant, and 40% affirmative vote of each segment with in the quadrant. This procedure ensures that all market interests in NAESB have an equal vote in the decision making process.

To effect the super-majority, an overall 67% of each quadrant is required. To effect the balance, the procedure apportions each market segment two votes that are divided equally by those participants of the segment present at the meeting either in person or by phone. Each company may only have one participant vote on its behalf on a single motion; however, if a company is vertically integrated, it may cast multiple votes on a single motion if the company has multiple participants representing multiple market interests (i.e. multiple NAESB quadrants and segments). No individual may vote more than once on a single motion. After a vote is taken by segment, the votes - or fractions of votes - are totaled across segments to determine the outcome of the motion under consideration. An example of a balanced vote involving multiple quadrants is provided below.

In the event of a vote on a motion made during a multiple quadrant meeting, the quadrants will each share an equal percent of the total vote. As the NAESB GEH Forum meetings are multi-quadrant – wholesale natural gas and wholesale electric markets, each market shares equally in the decision making. Examples are provided below –

Example of Super-Majority Balanced Voting Across Multiple Quadrants

Participants from the WEQ segments are represented as follows: fourteen transmission representatives; six generation representatives; six marketer/brokers representatives; four distribution/load serving entities representatives; one end user representative; six independent grid operators/planners representatives; and three technology and service representatives. The balanced vote for the WEQ is calculated as follows:

|  |  |  |
| --- | --- | --- |
|  | *Votes Cast* | *Balanced Votes* |
| *Segment* | *Yes* | *No* | *Yes* | *No* |
| *Transmission* | *14* | *0* | *2* | *0* |
| *Generation* | *5* | *1* | *1.66* | *0.33* |
| *Marketers/Brokers* | *3* | *3* | *1* | *1* |
| *Distribution/Load Serving Entities* | *3* | *1* | *1.5* | *0.5* |
| *End Users* | *1* | *0* | *1* | *0* |
| *Independent Grid Operators/Planners* | *3* | *3* | *1* | *1* |
| *Technology and Services* | *2* | *1* | *1.33* | *0.66* |
| *Total* | *26* | *14* | *9.49* | *3.49* |

The balanced vote of the WEQ is 9.49 in favor and 3.49 against. This equates to a percentage of 73% in favor and 27% against and would pass the requirements of a super majority of the WEQ. Support is greater than 67% and each segment met the 40% threshold required for approval.

Participants from the WGQ segments are represented as follows: seven producer representatives; twelve pipeline representatives; six LDC representatives; four end user representatives; and one services representative. The balanced vote for the WGQ is calculated as follows:

|  |  |  |
| --- | --- | --- |
|  | *Votes Cast* | *Balanced Votes* |
| *Segment* | *Yes* | *No* | *Yes* | *No* |
| *Producer* | *5* | *2* | *1.43* | *0.57* |
| *Pipeline* | *6* | *6* | *1* | *1* |
| *LDC* | *6* | *0* | *2* | *0* |
| *End User* | *1* | *3* | *0.5* | *1.5* |
| *Service* | *0* | *1* | *0* | *1* |
| *Total* | *20* | *10* | *4.93* | *4.07* |

The balanced vote of the WGQ is 4.93 in favor and 4.07 against. This equates to a percentage of 55% in favor and 45% against and does not pass the requirements of a super majority of the WGQ. Support is less than 67% and each segment did not meet the 40% threshold required for approval.

In order for a motion to pass, it must have the support of each quadrant.

As you can see, from the voting procedure outlined, it can take as little as one segment’s inability to reach a 40% affirmative vote threshold to cause a motion to fail. Abstentions are not counted as votes in calculating the results but they will be recorded. All votes taken will be recorded by participant, company, quadrant and segment and will be available on the NAESB web site for access.