

## MEMORANDUM

**TO:** NAESB WEQ Meeting Participants  
**FROM:** Cindy Bogorad and Allen Mosher  
**DATE:** April 4, 2002  
**SUBJECT:** NAESB Process and Proposed Segment and Voting Structure

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On behalf of the Transmission Access Policy Study Group (“TAPS”) and the American Public Power Association, we submit these written comments in lieu of appearing in person.

First, we are disturbed about the process, which seems a totally inappropriate means to establish what is touted to be an inclusive, industry consensus process providing for due process. According to the agenda package that has just been distributed, and despite the pendency of segment-related issues at FERC,<sup>1</sup> the April 5 meeting agenda contemplates a “final vote and agreement on establishing WEQ segments.” According to the agenda, “Voting for adoption of segments and segment definition will be based upon a two-thirds majority of those present and voting. Each entity represented will receive one vote....” If NAESB has any hope of obtaining broad industry support for its proposed WEQ, the segments and their definitions should be subject to a process open to input from those who are unable to attend the April 5 meeting. Holding a single meeting in Houston raises problems as well, as none of the potential NAESB members from the cooperative, municipal and TDU segments are headquartered there. Conversely, many generators, marketers and vertically integrated utilities are based in Houston. The proposed process for developing segments seems more designed to railroad a result, rather than one intended to provide a basis for FERC to treat the outcome as reflecting a broad industry consensus.

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<sup>1</sup> See March 15, 2002 Joint Filing of the American Public Power Association, National Rural Electric Cooperative Association, and the Transmission Access Policy Study Group Regarding Business Standards Development Process, filed in Docket No. RM01-12 (“APPA/NRECA/TAPS Joint Filing”).



Second, as we made clear in the APPA/NRECA/TAPS Joint Filing, TAPS and APPA object to the one segment veto, which tends to artificially constrain the number of segments in a manner that fails to reflect the diversity of interests and perspectives in this industry, undermining the potential to claim that the results of the process truly reflect an industry-wide consensus. Rather, the WESM nine-segment model, while not perfect, is a far more appropriate place to start than a five-segment model. We also continue to believe that vertically-integrated entities should be permitted to vote in only one segment.

Third, we object to the five-segment strawman included in the agenda packet. It departs (without explanation) from the segment proposal that had been that discussed during the weeks of meetings that preceded the March 15 filing. While we can see why marketers and independent generators would like it (since it accords them two of the five segments), it would result in an utterly skewed process. This segment proposal manages to be less clear and less appropriate than even the segments proposed in the collaborative process hosted by EEI that ended with the March 15 filings. We find it hard to understand, much less see the justification for, the lines being drawn between segments.

Fourth, assuming we are stuck with five segments notwithstanding our protests, we continue to believe that there should be non-profit subsegments in the transmission, generation and distribution/LSE segments, for the reasons discussed in the APPA/NRECA/TAPS Joint Filing. Especially with the proposal, as we understand it, to lump all LSEs, whether they be vertically-integrated or transmission dependent in the same segment (except that transmission owning or operating utilities apparently could join the transmission segment), separation of non-profit TDUs in their own subsegment would be necessary and appropriate.