

**COMMENTS OF THE NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION
ON THE
WEQ MAY 8-9 MEETING IN DENVER, CO
May 22, 2002**

The National Rural Electric Cooperative Association (NRECA) appreciates the opportunity to submit these comments. We request that you post these comments to the NAESB website and distribute them to those participating in the WEQ process. While the meeting on May 8-9 in Denver was better organized than the previous meeting in Houston, serious concerns continue, and they are discussed below in a constructive effort to improve the overall process.

Recommendations for Real Industry Representation, Consensus and Legitimacy

On May 8th during the Denver WEQ meeting, NRECA voiced its support for a proposal and subsequent motion by APPA to use a functional definition of WEQ segments with designated sub-segments that would have assured at least minimal representation on the Executive Committee for significant but admittedly minority players in the electricity marketplace (i.e. cooperatives, municipals, State Public Service Commissions, State Consumer Advocates, and real end-use consumers). Supporters of this approach and motion were overcome, first by a successful amendment to modify APPA's original motion that effectively removed critical designated sub-segments, and subsequently by a successful motion to approve a straw vote on a five-segment proposal without designated sub-segments. Had just one vote been changed, that final motion would have failed. We acknowledge the vote, unfortunately the voting result does not solve the problem of appropriate Executive Committee representation of all significant players in the WEQ. These events at the May 8-9 Denver meeting will cause continuing problems in developing a WEQ proposal that can be presented by the industry to the Commission as a true "consensus," unless actions are taken to address these concerns.

It is important to review several significant votes taken at the May 8-9 meeting, beginning with the vote on whether to use a 67% or 75% plurality to represent the "industry consensus" on important issues. Supporters of the higher threshold, including NRECA, lost that vote 46 to 43. Subsequently, using the lower 67% "consensus" standard, two critical votes then passed where a change of just one vote would have changed the outcome, including the straw vote on the five-segment proposal. We point this out to indicate just how close these votes were at the lower 67% "consensus" standard.

We continue to believe -- and anticipate that the Commission would agree -- that cooperatives, municipals, public service commissions, state consumer advocates and real end-use consumers must be assured a place on the critically important Executive Committee. Only in this way will their important voices not be overwhelmed by large, deep-pocket players who, as ably demonstrated at the Denver meeting, plan to populate,

“pay to play” in and vote in, all possible segments. This could effectively disenfranchise the aforementioned significant but less well-funded entities.

We also strongly assert that suggested designation of sub-segments in the APPA proposal is particularly critical to assure more balanced voting in view of (1) the ability of a 60% majority of any single voting segment to veto needed business standards; (2) the particular five segments identified, along with the NAESB rule that allows divisions of the same entity to populate multiple segments, means that the large, well-funded, affiliated generator-marketer-IOU interests will be in a position to dominate multiple segments (covering similar business interests), while completely drowning out all other voices; and (3) the history to date in other NAESB quadrant sectors where, particularly, end-use voting segments are populated in a somewhat surprising manner. Given the recent revelations about the highly questionable commercial trading practices of certain marketers and generators in wholesale electric markets and the related high profile federal investigations, it might well undermine the confidence of load-serving entities, end users, consumer representatives and regulators to have a WEQ structure under which *either generators or marketers, acting as their own sector*, can veto any proposed business standard they find not to their liking. While having appropriate, inclusive, designated sub-segments will not resolve all of these problems, they would represent one significant step in the direction of inclusiveness and transparency necessary for NAESB WEQ credibility.

When cooperatives and municipals (serving 25% of all the nation’s consumers over an area covering 75% of the nation’s land mass), state public service commissions, state consumer advocates, and real end-use consumers are not assured participation in a segment where their voices will not be unduly diluted or where appropriate seats on the Executive Committee are not provided, we cannot agree that the work to date on developing the WEQ framework represents an industry consensus. Those participating in developing the WEQ need to be as inclusive and credible as possible in order to enable the development of a higher level of trust among all industry participants and an appropriate level of confidence among the regulators. In NRECA’s view, this has not happened thus far.

We stress that unless NAESB, and the industry representatives participating in setting up the NAESB segments, focus on developing an organization that reflects and gives a meaningful voice and “place at the table” (on the Executive Committee) to the full range of interests that make up the electric industry, the standards that emerge from NAESB will never be able to reflect legitimacy at FERC and elsewhere as an industry “consensus” standard. Furthermore, when the voting rules used in establishing these segments and sub-segments permit well-funded entities to cast up to five votes on each item called to a vote (ostensibly to reflect their multiplicity of “business interests”), the deck is even more heavily stacked against smaller, less well-funded, entities seeking to have a meaningful and appropriate role in the organization that emerges from such a process.

Recommendations for Proper Application of Robert's Rules of Order

NRECA believes it is vitally important that NAESB hire a Professional Registered Parliamentarian who is certified by the National Association of Parliamentarians to properly interpret and enforce Robert's Rules. We were concerned about the ad hoc procedures and "lay" interpretations of Robert's Rules rendered at the Denver meeting. Several parliamentarians later advised us that a number of these "lay" interpretations were incorrect. For instance, at the meeting only one amendment to a motion was allowed to be discussed and voted on. According to the parliamentarians we discussed this with, it is correct that only one amendment can be voted on *at a time*. However, it is not correct that a motion may only have one amendment discussed before such motion must be voted upon. Additionally, several times, prior to the completion of discussion, or for that matter, any discussion, there was a "call for the vote" motion made from the floor. This led directly to votes on the motion that, according to the parliamentarians we consulted, are incorrect under Robert's Rules. There first should have been a vote taken to cut off discussion. The impact of this misinterpretation was to short-circuit needed discussion, and may have had a significant impact on the meeting's substantive decisions. In short, we believe the above-referenced misinterpretations of Robert's Rules clearly demonstrates that NAESB needs a professional registered parliamentarian at all subsequent meetings.

Respectfully submitted,

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