

**Meeting Notes from WEQ Industry Participant
Small Group Meeting at FERC
Regarding Subsegment Proposals
June 27, 2002**

On June 27, 2002, approximately 30-35 WEQ Industry Participants met to discuss subsegment proposals for the NAESB WEQ. All industry interests, except RROs and NARUC, appeared to be represented.

At the beginning of the meeting, the group reviewed a document (see attached file) that listed the results from the Columbus (June 20/21) NAESB WEQ meeting to ensure that all were in agreement regarding the purpose of the smaller industry group meeting. This document described the results of three critical votes from the Columbus meeting: (1) a 120 to 21 vote in favor of requiring a confirming vote by the WEQ Industry Participants on a complete approval package at one time – including all segment and subsegment issues; (2) a 66 to 0 vote in favor of 3 principles for developing subsegments; and (3) a 86 to 31 vote in favor of holding the smaller group meeting and what it should focus on.

The group agreed that, consistent with what was agreed to in Columbus, at the next WEQ meeting the attendees should break into segment discussions for further review/discussion of subsegment options developed at today's meeting. Each segment meeting room should include conference call capability for those participants unable to attend in person (Conectiv, AEP, EEI, EPSA and NRECA each offered to pay for one of the segment conference call set-ups). After these segment discussions, all participants would regroup for further discussion and possible straw or confirming votes.

The small group discussion was based on the straw vote result from the Columbus meeting that each segment would have six seats on both the WEQ Executive Committee and Board. Jamil Nasir submitted to the group a document that reviewed the mathematical issues related to six seats per segment and various subsegment proposals. Attached is Mr. Nasir's revised version of what was handed out at the meeting. The group also asked Mr. Nasir to present his paper at the next WEQ meeting prior to segment discussions.

The group agreed to start discussions on subsegment structures with a blank slate. The various proposals were captured on a blackboard and flipchart. In those instances where elements of these proposals appeared to possibly violate the subsegment principles, the group asked that they be noted. Such violations were most often related to any subsegment or business interest garnering 3 or more seats for a segment and how to fill "At-Large" subsegment seats. Such potential violations are noted by an "*" in the proposal. Each segment was discussed by the entire group present before moving on to the next. It was agreed, and generally followed, that only those with business interests in the various segments propose options for subsegment configuration. Others in the room would act as questioners to insure that the intent of the option suggested was clear to the entire group and to point out any possible problems or conflicts that might be present.

All options were captured. No one who wished to support an option was prevented from doing so.

The following tables represent the subsegment proposals that were discussed at the meeting:

Transmission

Subsegment	Option 1	Option 2	Option 3
Co-op/Muni	1	1	
Fed/[State]/Prov	1	1	
ITC	1	2	
IOU	2	2	
At-Large	1*		6*

Generation

Subsegment	Option 1	Option 2
Merchant	2	1
Cost of Service	2	1
Fed/[State]/Prov	1	1
Co-op/Muni	1	1
At-Large		2*

Marketer/Broker

Subsegment	Option 1	Option 2	Option 3
Mkt-Based	5*	4*	
Non Mkt-Based	1		
Co-op/Muni		1	
Fed/[State]/Prov/ Other (i.e., QFs)		1	
At-Large			6*

Distribution/LSE

Subsegment	Option 1	Option 2	Option 3	Option 4	Option 5
Co-op/Muni	2	2	2	2	2
IOU	2	2	2	2	2
Vert. Integr.	1*				
TDU	1*		1*		2
At-Large		2*		1*	
Fed/[State]/Prov/ Other			1		
Competitive Retailer				1	

End User

Subsegment	Option 1	Option 2	Option 3	Option 4
At-Large	6*			2*
Res/Small Com/Regul.		3*		
Lg Com/Ind/Agr		3*		
End Use (already in another seg)			1	
Regulator			1	2
Res/Com			1	
Lg Ind (not already in another segment)			2	
End Use Self Generation			1	
Consumer				2

As a result of these subsegment proposals and the discussions that occurred, several issues were identified that would need full WEQ review and discussion.

1. Is a principle deemed violated if the violation is as a result of an “at large” vote of the segment? Participants voiced concern that if one industry interest garnered veto strength in any one segment through the subsegment process, then other major business interests should also have similar veto strength in a segment. Other participants disagreed and stated that no industry interest alone should have the ability to veto within a segment as was agreed in Columbus.

2. The group agreed that any organization or their affiliate could join only one subsegment in a particular segment. Is this a position that can be supported by the whole Quadrant? If so, how does one define “affiliate” for this purpose?

3. The group raised the question of what actions, if any, should take place if a subsegment is set up, but not populated. It was suggested that this might be dealt with as a Quadrant or Segment procedure issue.

4. The group generally agreed that any initial segment/subsegment structure should be reviewed/revisited after two years of operation to take into account any changes to the industry structure. Several participants suggested such a review should be completed after one year.

5. The group discussed the appropriate role for RTOs/ISOs in the WEQ. Some options discussed (but not agreed upon) included a subsegment in the transmission segment, a separate segment for RTOs/ISOs/RROs, and the option for RTOs/ISOs to join any segment where they have a legitimate business interest particularly in the “At-Large” or

“Other” seats. The discussion was tabled without any conclusions as the group felt this was an issue that needed to be discussed at the broader WEQ level.

The group had numerous discussions related to “At-Large” seats in segments. Several issues that arose in these discussions included:

- Could a business interest or subsegment that already occupies two seats in a segment also occupy an “At-Large” seat bringing its total to three seats in a segment? This would then prevent any other business interests or subsegments in the segment from being able to block action.
- It was unclear in the discussions if a particular business interest or subsegment occupying 3 of the 6 votes in a segment conformed to the subsegment principles. (See #1 above)
- An issue that arose several times was that if a segment included more than one “At-Large” seat, no business interest or subsegment should be permitted to garner more than one of these seats. This is closely related to the issue of a business interest or subsegment having 3 or more seats in a segment.
- Most at the meeting appeared to agree that the voting body for determining “At-Large” representatives to the EC and Board should include all members of a particular segment. There was similar agreement that subsegment members should be the voting body for determining their subsegment representatives to the EC and Board.
- The group discussed whether “At-Large” seats should be changed to “Other.” It was unclear to the group, however, who would fill the “Other” seats and whether all members of a particular segment or just the entities that qualify as “Other” should be permitted to vote for such seats on the EC and Board.

July 1, 2002