

Subj: Re: NAESB Membership in the Wholesale Electric Quadrant
Date:8/5/2002 2:23:41 PM Pacific Standard Time
From: James Hartwell
To: NAESB
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minute
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Dear Ms Mcquade:

Thank you for responding to my July 23, 2002 letter to Mr Boswell. Unfortunately, I believe that NAESB has overlooked the single most important point that I have attempted to clarify for you on several occasions. NPCC is an independent organization that is not engaged in any activity that owns, operates or controls transmission facilities in North America. I refer you to the definition provided for the Transmission segment:

Transmission: Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.

When comparing this definition to that for an RRO which I provided to NAESB in my letter of July 23rd, the two are not even remotely related. Furthermore, please be advised that an RRO is not functionally disaggregated and therefore should not be forced to join all five segments in order to preserve its independent status. Not only would this create a hardship on a small organization such as ours, but would, in our opinion, be treating us different from other organizations that have very clearly defined themselves for the entities that they represent. I would hope that this response helps in explaining our effort to resolve this situation in order that we may continue our participation in the NAESB WEQ process. Thank you.

Jim Hartwell

----- Original Message -----

From: NAESB
To: James Harwell
Sent: Thursday, August 01, 2002 2:25 PM
Subject: NAESB Membership in the Wholesale Electric Quadrant

Via email and post
August 1, 2002

Mr. James Hartwell
Manager, Market Interface
Northeast Power Coordinating Council
1515 Broadway, 43rd Fl.
New York, NY 10036

Dear Mr. Hartwell:

Our Board of Directors on July 29 adopted the initial wholesale electric quadrant procedures, and I have attached the ballot package for reference. Our general counsel, Mr. Costan, provided a legal opinion included in the ballot package which I believe addresses your concern. To paraphrase the opinion, any organization that has a legitimate business interest in a given segment and sub-segment can join

that segment and sub-segment, and be considered for election to the Board of Directors and Executive Committee. Regional Reliability Organizations have a legitimate business interest in the Transmission Segment of the WEQ. Our principle of inclusivity stated in Section 2.2 of the NAESB Bylaws requires that the proposed WEQ quadrant procedures be interpreted in this manner. Broad based participation is key to the acceptance of NAESB standards and the success of the organization. Mr. Boswell and I continued to state this principle in all NAESB WEQ formation meetings and consider it one of the cornerstones of the organization. I encourage your company to join the NAESB Wholesale Electric Quadrant and look forward to working with you.

Best Regards,
Rae McQuade
Executive Director & COO, NAESB

cc: Bill Boswell, Partner, McGuirewoods, and Chairman and CEO, NAESB
Jay Costan, Partner McGuirewoods, and General Counsel, NAESB

Attachment: Board July 15, 2002 Balloting Package