



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com

Home Page: www.naesb.org

Via email
August 25, 2002

TO: NAESB Board of Directors
FROM: Rae McQuade, NAESB Executive Director
RE: NAESB Board of Directors Notational Ballot – Adoption of Promotional Dues for the Wholesale Electric Quadrant and Adoption of the revised Wholesale electric Quadrant Procedures

Dear Board Members,

Attached please find a notational ballot for two resolutions: (1) a resolution providing for promotional dues for the wholesale electric quadrant, similar to the promotional dues in effect for the retail gas and retail electric quadrants, and (2) a resolution adopting the revised quadrant procedures for the wholesale electric quadrant. For the revised quadrant procedures, Mr. Costan has provided a legal opinion finding that the revised procedures are not inconsistent with the NAESB Certificate and Bylaws and should therefore be accepted by the Board, with the two conditions outlined below:

- (1) The revised procedures must be interpreted and applied in such a way as not to exclude any entity with a legitimate business interest in the wholesale electric sector from joining a Segment and Sub-segment of the WEQ and running for a seat on the Board of Directors or Executive Committee from such Segment and Sub-segment. This requirement is particularly important to transmission organizations (i.e. RTOs, RROs, ISOs, IMOs and the like), which should be permitted to join the Transmission Segment of the WEQ. Transmission organizations must, at a minimum, be permitted to join the Transmission Segment. As well, they may join any other Segment in which they have a legitimate business interest.
- (2) The Board needs to be assured that these revisions reflect the views of at least a majority of the Voting Membership of the WEQ. The NAESB office will canvass the Voting Membership of the WEQ to assure majority support. In so doing, it would seem appropriate to base the canvass on Voting Members who have already paid their dues or who have submitted binding letters of intent.

Please return your ballot by end of business Friday, August 30. The ballot can be returned via email by responding to Veronica Thomason at naesb@aol.com email address, or the ballot can be faxed to the NAESB office at 713-356-0067. Please call the office should you have any questions on this ballot. We apologize for the short review period for this ballot, but the quadrant procedures address elections, and the WEQ has an election for Board and Executive Committee members beginning on September 3 and concluding on September 13.

Best Regards,

Rae McQuade
Executive Director and COO, NAESB

cc: Jay Costan
Laurie Paulson
Jim Buccigross



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Board Members:

| SEGMENT | BOARD MEMBER | WHOLESALE GAS QUADRANT |
|--------------------------|---------------------|--|
| END USER | Jonathan Puckett | Director of Control Operations, Duke Energy North America. |
| | Joe Stepenovitch | Vice President, Energy Marketing & Trading, Florida P&L |
| | John Procario | Vice President & COO, Cinergy |
| | Janie Mitcham | Vice President, Fuel and Energy Management, Reliant Energy |
| | Jim Templeton | Principal, Comprehensive Energy Services |
| LDC | Bill Boswell | Assistant Secretary, Dominion |
| | Adrian Chapman | Vice President, Regulatory Affairs & Energy Acquisitions, Washington Gas Light Co. |
| | Reed Horting | Vice President, Gas Supply & Transportation, PECO Energy Co. |
| | Walt DeForest | Senior Vice President, National Fuel Gas Distribution |
| | Lee Stewart | President, Energy Transportation Services, Southern California Gas Co |
| PIPELINE | Terry McGill | Enbridge Energy Company, Inc. |
| | John Somerhalder | President, El Paso Energy Pipeline Group |
| | Shelley Corman | Vice President, Enron Transportation Services Company (Transwestern) |
| | Ron Mucci | Senior Vice President Shared Services, Williams Gas Pipeline |
| | Richard Kruse | Senior Vice President, Duke Energy Gas Transmission |
| PRODUCER | Allan Knopp | Manager, Regulatory Affairs, Conoco Gas and Power |
| | Randy Mills | Regulatory Manager, ChevronTexaco |
| | Stan Hemmeline | Manager, North America - West, ExxonMobil Gas Marketing Company |
| SERVICES | Sylvia Munson | CIO, PanCanadian Energy Services (PanTech) |
| | Greg Lander | Principal, CapacityCenter.com |
| | Rick Lentz | Principal, Tatum CIO |
| | Lyn Maddox | President & COO, PG&E Energy Group Trading |
| | Marty Patterson | Senior Vice President, IDACORP Energy |
| SEGMENT | BOARD MEMBER | RETAIL ELECTRIC QUADRANT |
| DISTRIBUTOR | Dave Koogler | Director - Regulation & Competition, Dominion Virginia Power (SERC NERC Region). |
| | Bill Bourbonnais | Manager Rates and Economic Evaluation, Wisconsin Public Service Corporation (MAIN NERC Region) |
| | Johnny Magwood | Vice President Customer Services, Baltimore Gas and Electric Company |
| | Leonard Haynes | Senior Vice President Marketing, Georgia Power Company (SERC NERC Region) |
| END USER SERVICES | Sonny Popowsky | Pennsylvania Office of Consumer Advocate |
| | Misty Ann Khan | Vice President, Telerx Marketing, Inc. |
| | Stacey Park | Director, The Structure Group |
| | J Cade Burks | President, EC Power |
| SUPPLIER | John Williams | Chief Executive Officer and Co-founder, 8760. |
| | Helen Burt | Vice President, Customer Operations and Billing, TXU Energy |
| | Waters Davis | President, Reliant Energy Retail Services |
| | Richard Zelenko | General Manager, Dominion Retail Inc. |

OFFICERS: Bill Boswell is CEO and 2002 chairman of the Board of Directors. Rae McQuade as Executive Director serves as Secretary and COO. The vice-chairs representing the Quadrants have not been named.



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NORTH AMERICAN ENERGY STANDARDS BOARD

Board of Directors Ballot

Resolutions to adopt the WEQ Procedures and Promotional Dues

August 25, 2002

| Vote (Yes/No) | Resolution |
|--------------------------|--|
| <input type="checkbox"/> | Resolution to Adopt Promotional Dues For the Wholesale Electric Quadrant |
| <input type="checkbox"/> | Resolution to Conditionally Adopt the Revised WEQ Procedures |

| | |
|------------|-------|
| Name: | _____ |
| Signature: | _____ |
| Company: | _____ |
| Date: | _____ |

Please return to the NAESB Office by August 30, 2002

Fax: 713-356-0067



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NORTH AMERICAN ENERGY STANDARDS BOARD RESOLUTION ON PROMOTIONAL DUES FOR THE WHOLESALE ELECTRIC QUADRANT AUGUST 25 2002

WHEREAS, the North American Energy Standards Board (“NAESB”) commenced operations in January 2002, and is now organizing the Quadrant for the Wholesale Electric sector; and

WHEREAS, it has been proposed that the Wholesale Electric Quadrant (WEQ) offer a possibility of voting membership at reduced annual dues to individuals who serve as state commission regulatory staff, state consumer advocates or in a similar capacity, or organizations of state consumer advocates or similar persons (hereinafter “Consumer Advocate Representatives”) in the End-User Segment of the WEQ for the two-year period through December 2003; and

WHEREAS, Article VII, Section 1 of the Certificate of Incorporation of NAESB generally requires that the dues for all voting members be the same, except for “promotional dues” approved by the Board of Directors; and

WHEREAS, the Board previously approved a similar limited arrangement for the two Retail Quadrants; now therefore, be it

RESOLVED, that NAESB authorizes promotional dues of \$500 per year for three voting memberships for the End User Segments of the WEQ to Consumer Advocate Representatives that represent end user customers. Such promotional dues shall expire on December 31, 2003. An open season shall be conducted, to close on September 3, 2002, to solicit interest by qualifying consumer advocate representatives through letters of intent. If promotional dues are sought by more than the allowed number of eligible representatives, the representatives shall select from among themselves who shall be permitted voting membership(s). In no case shall such members that have been granted promotional dues be permitted to occupy more than one seat on the Board and Executive Committee of the WEQ, and further

RESOLVED, that NAESB authorizes promotional dues of \$500 per year for three voting memberships for the End User Segments of the WEQ to state regulatory staff or similar entities that represent end user customers. Such promotional dues shall expire on December 31, 2003. An open season shall be conducted, to close on September 3, 2002, to solicit interest by qualifying state regulatory staff representatives through letters of intent. If promotional dues are sought by more than the allowed number of eligible representatives, the representatives shall select from among themselves who shall be permitted voting membership(s). In no case shall such members that have been granted promotional dues be permitted to occupy more than one seat on the Board and Executive Committee of the WEQ.



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NORTH AMERICAN ENERGY STANDARDS BOARD

RESOLUTION TO ACCEPT PROPOSED REVISED QUADRANT PROCEDURES OF THE WHOLESALE ELECTRIC QUADRANT AUGUST 25, 2002

WHEREAS, the North American Energy Standards Board ("NAESB") commenced operations on January 1, 2002, and is now organizing Quadrants, including the Wholesale Electric Quadrant which will develop standards and model business practices for the wholesale electric sector; and

WHEREAS, the NAESB Wholesale Electric Quadrant has adopted Quadrant Procedures, which were accepted by the Board of NAESB in late July 2002, and has now proposed revised Quadrant Procedures, attached hereto as Exhibit A, which it asks be accepted by the Board of NAESB to supersede its existing Exhibit to the Bylaws; and

WHEREAS, the proposed revised Quadrant Procedures have been submitted to NAESB's General Counsel for review to determine whether such revised procedures are not inconsistent with the Certificate and Bylaws of NAESB; and

WHEREAS, the General Counsel of NAESB has rendered a conditional opinion that the proposed revised Quadrant Procedures of the Wholesale Electric Quadrant are not inconsistent with the Certificate and Bylaws of NAESB, provided that unless and until the Voting Members of the Wholesale Electric Quadrant clarify or modify the Procedures to provide differently, the proposed revised Quadrant Procedures shall be interpreted and applied so that transmission organizations (i.e., RTOs, ISOs, RROs, IMOs and the like) are viewed as having a legitimate business interest in the Transmission Segment; and provided further that the NAESB Office confirms that the proposed revised Quadrant Procedures reflect the views of at least a majority of the existing Voting Membership of the Wholesale Electric Quadrant, made up of Voting Members who have already paid their membership dues or have executed binding letters of intent to do so;

NOW, THEREFORE, BE IT:

RESOLVED, that the Board of Directors of NAESB hereby accepts (subject to the conditions described below) the revised Quadrant Procedures for the Wholesale Electric Quadrant of NAESB attached hereto as Exhibit A, which will be appended to the Bylaws of NAESB as an Exhibit, provided that by September 23, 2002, the Wholesale Electric Quadrant satisfies the membership requirements set forth in Section 2.3 of the Bylaws; and

FURTHER RESOLVED, that acceptance of the proposed Quadrant Procedures of the Wholesale Electric Quadrant is subject to the following conditions:

- (1) The proposed revised Quadrant Procedures shall be interpreted and applied so that transmission organizations will be viewed as having a legitimate business interest in the Transmission Segment; and
- (2) No later than August 30, 2002, the NAESB Office confirms (by vote or otherwise) that the proposed revised Quadrant Procedures reflect the views of at least a majority of the Voting Membership of the Wholesale Electric Quadrant, as described above.

August 2002

TO: NAESB Board of Directors
Jim Buccigross, EC Chair
Rae McQuade, Executive Director

FROM: Jay Costan

DATE: August 23, 2002

RE: Review of Proposed Revisions to Quadrant Procedures for the Wholesale Electric Quadrant

This will set forth my opinion on whether the proposed revised Quadrant Procedures recently transmitted from Wholesale Electric Quadrant ("WEQ") members meet the test of being "not inconsistent with the Certificate and Bylaws of NAESB," thus making them eligible for acceptance by the NAESB Board of Directors.

I conclude that the proposed revised WEQ Quadrant Procedures meet the applicable test, subject to two caveats described below. First, as outlined in my analysis of the initial WEQ Procedures dated July 14, 2002, the revised procedures must be interpreted and applied in such a way as not to exclude any entity with a legitimate business interest in the wholesale electric sector from joining a Segment and Sub-segment of the WEQ and running for a seat on the Board of Directors or Executive Committee from such Segment and Sub-segment. This requirement is particularly important to transmission organizations (i.e. RTOs RROs, ISOs, IMOs and the like), which should be permitted to join the Transmission Segment of the WEQ. Although the revised WEQ Procedures provide some clarification with regard to membership in the WEQ by "service providers," they provide no additional detail regarding how transmission organizations are to be treated. Accordingly, the required interpretation set forth in my July 14, 2002 memorandum and approved by the Board remains in effect, meaning that transmission organizations must, at a minimum, be permitted to join the Transmission Segment. As well, they may join any other Segment in which they have a legitimate business interest.

The second caveat on acceptance of the proposed revised procedures is that the Board needs to be assured that these revisions reflect the views of at least a majority of the Voting Membership of the WEQ. Although a majority of the Directors selected from the WEQ will be able to adopt and amend the procedures once WEQ elections are held, in the absence of Directors, the Board needs to have the assurance that the proposed revisions reflect the desires of at least a majority of the WEQ Voting Membership. Because the proposed revised procedures do not themselves state what members of the WEQ voted in favor of them, it is unknown whether they enjoy the support of a majority of the Voting Membership of the WEQ. As a result, it will be necessary for the

NAESB office to canvass the Voting Membership of the WEQ to assure majority support. In so doing, it would seem appropriate to base the canvass on Voting Members who have already paid their dues or who have submitted binding letters of intent.

With these two caveats, I believe that the revised procedures are not inconsistent with the NAESB Certificate and Bylaws and should therefore be accepted by the Board. Attached hereto is a draft resolution that addresses acceptance of the proposed revised procedures of the WEQ subject to the two conditions identified above.

* * * * *

Provided below are suggested comments to the WEQ on its revised Quadrant Procedures. These are not necessary to the Board's consideration of the attached resolution calling for conditional acceptance of the revised procedures, but are supplied solely as an aid to help the WEQ in interpreting its procedures and in drafting additional procedures consistent with the NAESB Certificate and Bylaws.

1. Sections 2.1 and 2.2 appear to be superfluous, since they merely track the NAESB Bylaws. It may be useful to strike them. One danger of retaining these provisions is that the NAESB Bylaws might change, which could create an inconsistency with Sections 2.1 and 2.2. The Bylaws always control, but there is no need to create potential confusion. Our advice to the other Quadrants in developing procedures, which they accepted, was to avoid repeating the provisions of the Bylaws in the text of their procedures.
2. The reference in the title of Section 6 to "Addendum to NAESB Bylaws – Article 6" is confusing and should be stricken. The NAESB Bylaws take precedence over Quadrant procedures and any procedure that purports to have the same weight as a Bylaw provision is invalid and of no effect.
3. The note in Section 5.1C regarding the need to include an appeals procedure is probably a good idea. One suggestion would be to allow an appeal to the WEQ Directors, in coordination with the NAESB General Counsel.
4. The description of eligibility criteria for members of the Board in Sections 7.2 A. 5. fails to mention "agents" of Voting Members of NAESB, who are eligible to serve on the Board under Section 7.2 of the Bylaws. The same holds true for members of the Executive Committee, as described in Section 10.2 A. 5. of the proposed revised procedures. As noted above, the better course here might be simply to reference the eligibility requirements in the Bylaws, as they are controlling in any event.
5. The WEQ Directors will need to elect one of their members as Quadrant Vice Chair of the Board. A provision may be added to the WEQ

procedures to address selecting a Vice Chair of the WEQ Directors, similar to the provision regarding the EC found in Section 10.3 E.

6. The provision in Section 10.9 E. regarding procedures governing joint meetings is acceptable, albeit unnecessary, provided it is interpreted so that NAESB Operating Procedures (which are matters of governance adopted by the Board of Directors) take precedence over operating procedures adopted and approved within the EC structure. It may be helpful to make this clarification explicit in Section 10.9 E, or simply to eliminate the provision altogether.

August 22, 2002

Rae McQuade
Executive Director
North American Energy Standards Board
1111 Louisiana
Houston, Texas 77002

Dear Rae:

Enclosed with this letter is an interim set of procedures for the newly formed wholesale electric quadrant (WEQ) of NAESB. This interim set of procedures specifically focuses on governance and voting aspects for the WEQ. Final detailed quadrant procedures will be forthcoming; however these interim procedures are being sent now to allow them to be put in place by September 4, 2002. Signatories to this letter (the Signatories), representatives of a broad industry consensus developed during the WEQ formation process, respectfully request that the NAESB Board approve these procedures on a notational basis in order that they may be in place for upcoming initial elections for the WEQ Executive Committee and members of the Board.

The quadrant procedures advanced with this letter are intended to allow the elections to take place under those principles approved at the formation process meeting in Wilmington, Delaware. We view them as a critical part of quadrant governance in that they address the subsegment issues that formed the basis of the Wilmington consensus agreement. In addition, we view the procedures as responsive to the conditions that the NAESB Board included in its July 29 approval of quadrant governance. Consistent with NAESB policy, we request that these procedures be posted to the WEQ website.

We note for your attention several issues. First, these procedures do not cover all circumstances in which vacancies could exist on the WEQ Executive Committee or the WEQ portion of the Board. A gap may exist during the transition period between initial formation and when the proposed provision for vacancies of the WEQ would become effective. Such a circumstance may afford a disproportionate influence to a particular interest or allow a subsegment to block action. In the event that such an unusual circumstance does arise, WEQ membership will bring the matter to the attention of the Board for immediate resolution.

Second, the Signatories broadly support the establishment of promotional dues for state consumer advocates and state utility commissions in a manner consistent with previous Board approval for such promotional dues memberships in the retail electric quadrant (REQ). Further, the Signatories support modifications of REQ promotional memberships applicable for the WEQ by establishing six promotional dues memberships, three for consumer advocacy offices and three for state utility commissions, for a period of at least two years.

Third, the Signatories appreciate that NAESB recognizes through its Letter of Intent (LOI) with the North American Electric Reliability Council (NERC) that standards to be developed for the Wholesale Electric Industry may have both reliability and business practice implications and, as such, standards development must be coordinated. The Signatories believe that the details of such coordination, as contemplated in the LOI with NERC and as yet to be developed with other organizations such as Regional Transmission Organizations (RTOs/ISOs), must be embodied in the WEQ procedures which we are in the process of developing on behalf of the WEQ membership. Accordingly, it is our view that the WEQ Executive Committee and Membership must be active participants in the development of the MOU to be ultimately approved by the NAESB Board. To accomplish this, we recommend that, upon election, the WEQ Executive Committee immediately establish a task force from the WEQ membership for this express purpose. The Signatories look forward to working with NAESB and WEQ leadership in this effort.

Finally, we note that these interim procedures represent the results of the Signatories' collaborative effort to achieve consensus. The Signatories represent that these interim procedures have the overwhelming support of the Signatories and of those of our members who have made their views known. However, in some instances unanimous support was not achieved. Accordingly, no Signatory or WEQ participant waives its legal rights with respect to any aspect of these procedures to take whatever appropriate action it deems necessary.

As indicated by NAESB in various recent announcements, we expect elections for quadrant governance to begin the first week in September, making it critically important that the NAESB Board approve the enclosed procedures by the end of August. To ensure that the Board timely considers and approves these procedures, please contact Michael Desselle of American Electric Power (214-777-1826) or Barry Lawson of the National Rural Electric Cooperative Association (703-907-5781) to the extent you have any questions or need additional clarifying information with regard to the procedures accompanying this letter.

On behalf of our constituent members, signatories to this letter appreciate the opportunity to independently establish the procedures within NAESB that will govern the development of business standards for the wholesale electric industry.

Our members expect to participate fully within NAESB, and look forward to continuing to lead the development of all procedures that the quadrant views as necessary for an open and orderly standards development process.

Sincerely,

S/

Allen Mosher
American Public Power Association

S/

Syd Berwager
Bonneville Power Administration

S/

David K. Owens
Edison Electric Institute

S/

John Anderson
Electricity Consumers Resource Council

S/

Mark Bennett
Electric Power Supply Association

S/

Charles Gray
National Association of Regulatory Utility Commissioners

S/

S/

Charlie Acquard
National Association of State Utility Consumer Advocates

S/

Dave Mohre
National Rural Electric Cooperative Association

S/

Gary Harper
Salt River Project

S/

Bob Goss
Southeastern Power Administration

S/

Stan Mason
Southwestern Power Administration

S/

Gary Jackson
Tennessee Valley Authority

S/

Mark Fidrych
Western Area Power Administration

WEQ Procedures

August 22, 2002

Page 5

S/

Karl Tammar

New York Independent System Operator

North American Energy Standards Board

Bylaws Addendum

Exhibit 2

Wholesale Electric Quadrant Procedures

Section 1 Definitions

1.1 Definitions Included In NAESB Bylaws

All capitalized terms, if not defined in Section 1.2, shall have the same definitions as specified in the Bylaws or Certificate of Incorporation (Certificate) of NAESB.

1.2 Definitions for the Purposes of this Exhibit

- A.** “Entity” means an individual, partnership, firm, corporation or organization who is a Member of the WEQ.
- B.** “IOU” means an investor owned utility who has substantial business interest in owning and/or operating any two of the following three asset categories --- generation, transmission, distribution.
- C.** “Segment Membership” means the Segment Members collectively.
- D.** “Segment Procedures” means the procedures attached to this document as exhibits for each of the Segments, as amended.
- E.** “Services” means providers of services to participants in the wholesale electric industry, which would include, but not be limited to, software providers, consultants and other Entities not otherwise considered to be a Transmission, Generation, Marketer/Broker, Distribution/Load-Serving Entity or End-User.
- F.** “Sub-Segment” means the allocation of Board and EC seats as shown on Attachment A.
- G.** “Sub-Segment Principles” means the principles described in Section 2.4 of these Procedures.
- H.** “Sunrise” means Sub-Segments may be revisited at any time, but no later than three (3) years from WEQ formation approval by the NAESB Board. Changes to Sub-Segments require a 75% affirmative vote from the WEQ Membership Segment.
- I.** “WEQ” means the Wholesale Electric Quadrant.
- J.** “WEQ Designated Alternates” mean the group of WEQ Memberships selected by each WEQ Membership Segment’s Sub-Segment to serve in the stead of WEQ EC Members who are unable to attend EC meetings.
- K.** “WEQ EC” means the Executive Committee of the WEQ.
- L.** “WEQ Membership” means the Voting Members of the WEQ collectively.
- M.** “WEQ Segment” means one of five (5) co-equal membership Segments of the NAESB WEQ, representing the following *functions* that exist in the operation of the

wholesale electric industry: **Transmission; Generation; Marketers/Brokers; Distribution/Load Serving Entities; End User.**

Section 2 Purpose, Scope, Activities and Policies

2.1 Purpose, Scope and Activities

A. Purpose

The purpose of the WEQ of NAESB is to propose, evaluate and adopt voluntary Standards that apply to business practice Standards, Model Business Practices and communication protocols which include, but are not limited to, electronic data interchange (“EDI”) record formats. All Standards shall be designed to promote more competitive, efficient and reliable wholesale electric service.

B. Scope and Activities

The WEQ is concerned with activities necessary or desirable to achieve the objectives and purposes of the commercial aspects of the wholesale electric industry, and are appropriate to the operation of the wholesale electric market.

The WEQ will work closely with other NAESB Quadrants to strive for consistency where proposed business practice Standards, Model Business Practices and communication protocols affect those other Quadrants.

2.2 Policies

The WEQ shall comply with the policies and procedures specified in the Bylaws and Certificate of NAESB. Further, the WEQ will recognize the Memorandum of Understanding (MOU) between NAESB’s WEQ and the North American Electric Reliability Council (“NERC”), once agreed upon between the two parties, and recognize the FERC and Canadian provincial jurisdiction over many of the parties to this agreement while executing activities of this body.

2.3 Segment Organization and Description

The WEQ shall be composed of five Segments: (1) Transmission, (2) Generation, (3) Marketers/Brokers, (4) Distribution/Load Serving Entities and (5) End Users. Each prospective Member of the WEQ shall declare the Segment(s), and if applicable, the Sub-Segment, with which they have a legitimate business interest and are to be identified.

A. Transmission

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

B. Generation

Any Entity engaged in the activity of owning and/or operating wholesale

electric generation facilities in North America.

C. Marketers/Brokers

Any Entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

D. Distribution/Load-Serving Entities

Any Entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any Entity designated to represent a distribution utility.

E. End Users

Any Entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any Entity designated to represent an end user.

2.4 Sub-Segment Principles

The WEQ shall use the following principles to develop Sub-Segments for each Segment. These principles shall continue to be used for future Sub-Segment development. Sunrise rules will apply to the Sub-Segments. The Segment organization will operate under the following Sub-Segment Principles:

- A. No single business interest can by itself pass a Standard.
- B. All appropriate interests are represented.
- C. No Sub-Segment may alone block action.

2.5 Sub-Segment Organization

See Attachment A

Section 3 Reserved

Section 4 Reserved

Section 5 Members

5.1 Voting Members

A. Membership

Membership and voting rights in the WEQ shall be open to any person or legal Entity that:

1. Has an active, significant business interest in the wholesale electric market or is the representative or Agent of such a person or Entity, and
2. Is current in payment of its membership dues.

B. Multiple Memberships Per Quadrant

Memberships in multiple Segments of the WEQ are permissible for any

Entity, provided each membership is filed and declared with NAESB, the Entity meets the membership requirements of each Segment joined, membership dues are paid for each Segment and different company personnel are used for each Segment's activities.

C. Segment and Sub-Segment Qualification

Upon joining the NAESB WEQ, the Entity must identify a Segment and Sub-Segment, in accordance with Section 2.3 and the Sub-Segment allocation shown in Attachment A, that it feels most closely aligns with its business interest. If membership in the Segment or Sub-Segment is challenged, participation by this Entity can be barred by a 67% affirmative vote of the Segment and Sub-Segment. If an Entity is disallowed, reselection of Segment and Sub-Segment will be required. *(an appeals process needs to be added to this topic)*

D. Multiple Corporate Memberships

An Entity may join and vote in all Segments for which it is qualified and for which its membership dues are current. Multiple companies under common control within a corporate organization that desire to become Voting Members must join individually. Members cannot extend their WEQ Membership to their parent company, affiliates, or subsidiaries.

E. Service Entities

Service Entities will be viewed as having a legitimate business interest in any Segment and Sub-Segment to which they directly provide service by contracting primarily with Segment and Sub-Segment Membership.

Section 6 Meetings of the Members – Addendum to NAESB Bylaws -Article 6

All meetings held in association with the NAESB organization, or the WEQ, are open to any interested Entity and will be held in accordance with the NAESB Operating Procedures. From time to time, there may be joint meetings of the WEQ with other Quadrants within NAESB, and Segments may meet jointly to transact Quadrant business. Only EC, Board and the WEQ Membership ratification process is limited to Voting Members.

Section 7 Board

7.1 Board Representation

The membership of each WEQ Sub-Segment shall elect representatives to the Board from its Sub-Segment in accordance with the NAESB Bylaws, Certificate, and these WEQ Procedures.

7.2 Qualifications of Board Members

A. Eligibility

To be eligible to serve as a NAESB Board Member from the WEQ, a nominee must:

1. Have a working knowledge of the NAESB process,
2. Be willing to commit the time and resources necessary,
3. Have the authority to fulfill the obligations as a Board representative,
4. Be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 9.7(f), and any other applicable provisions, as set forth in the NAESB Bylaws and
5. Be a Voting Member, or a partner in, or an officer or employee of, a Voting Member of the WEQ.

B. One Member, One Seat Per Segment

No two Board Members from the same or affiliated companies can be elected to the Board from the same Segment.

C. One Office Per Member Representative

No Board Member elected from the WEQ may hold both a Board seat and an EC seat concurrently in the WEQ or any other NAESB Quadrant. If a WEQ EC Member is elected as a Board Member from the WEQ, the WEQ EC seat is vacated immediately upon the EC Member's assumption of the Board position.

7.3 Number and Election of Board Members

A. Number of Board Members

The WEQ shall elect thirty (30) Board Members. Each Segment of the WEQ will elect six (6) Board Members, in accordance with the Sub-Segment allocation shown in Attachment A of the WEQ Procedures. Vacant seats are subject to Section 7.5 C of these WEQ Procedures.

B. Election of Board Member

Nominations for and election of Board Members will be in accordance with the Sub-Segment allocation shown in Attachment A. Only Voting Members of the particular Sub-Segment for which the Board seat is being sought are allowed to vote in this process.

C. Segment Procedures

In preparation for any election of Board Members, other than initial Board Members:

1. Nominations may be made at or prior to the close of the WEQ nomination period by any appropriate Sub-Segment Member by submitting the candidate names to the NAESB Office in accordance with the NAESB Operating Procedures.
2. All Board nominees shall meet the personal and membership eligibility

requirements set out in these WEQ Procedures. NAESB shall confirm that a nominee meets the Board eligibility requirements.

3. All eligible nominees shall state in writing their willingness to accept the responsibility of serving as a Board Member, prior to the submission of their names to the Sub-Segment WEQ Membership at the election.

4. The WEQ Board nomination period shall end 30 days prior to the commencement of the election period. This deadline may be extended. All nominations will be in writing.

5. Any WEQ Sub-Segment Voting Member who is current in the payment of its membership dues is eligible to one vote per open Sub-Segment seat. The ballot shall contain the names of all eligible nominees.

6. The candidates receiving the greatest number of votes shall be elected.

D. Timing of Elections

The election of Board Members shall occur concurrently for all Segments of the WEQ.

7.4 Term of Office

A. Terms

Board Members shall be elected for two-year terms, with half of the terms expiring in alternating years. The initial selection shall be by lottery, providing that Sub-Segments with two (2) seats may only have one seat expire per year.

1. Group A Board Member terms will expire in odd numbered years.

2. Group B Board Member terms will expire in even numbered years.

3. The initial WEQ Board Members shall be seated at the NAESB annual meeting. Subsequent new WEQ Board Members shall be seated at one (1) year intervals following this date.

B. Limit on Number of Terms of Office

Board Members from the WEQ may run for re-election without restriction on the number of terms held.

C. Change of Affiliation

In the event that a WEQ Board Member changes affiliation, the Board seat will become vacant and open for re-election as prescribed in Section 7.5 of these WEQ procedures.

7.5 Vacancies

A. A person shall cease to be a Member of the Board upon (1) the Board Member's resignation, removal, or death; (2) term expiration; or (3) the resignation or lapse, through a delinquency in payment of the membership dues, of the Segment Membership of the Entity that the Board Member

represents. A vacancy shall be filled for the remainder of that term in accordance with Section 7.5 B & C of these WEQ Procedures.

- B. In the event that a Board Member resigns or otherwise vacates a seat, and less than 90 days remain in the term of office, the Board seat will remain vacant until the next election period.
- C. If any one seat on the Board is vacant, the respective Sub-Segment will conduct nominations and elections to fill that seat. If, after ninety (90) days the seat is still vacant, that seat will be designated an “At Large” seat and the Segment will hold elections to fill that seat conforming to the Sub-Segment Principles. If that seat is still vacant within another ninety (90) days (180 days total) the voting rights of that “At Large” seat will be suspended. The Segment will be expected to re-organize with new Sub-Segments consistent with the six (6) Board seats, six (6) EC seats, and Sub-Segment Principles. The new sub-segmentation will become effective on approval by 75% of the Segment and then 67% of the WEQ Membership with the rights of the Board Members and EC Members effective under the new Sub-Segment designations. If the Segment is unable to develop new Sub-Segments within another ninety (90) days, an affirmative vote of 67% of the WEQ Membership is needed within the next ninety (90) days to develop the new Sub-Segments for the Segment consistent with the Sub-Segment Principles.

7.6 Removal of WEQ Board Members by WEQ Membership - Reserved

7.7 Resignation of Members of the Board

A Member of the Board may resign his or her position by submitting a letter to the Secretary of NAESB with a copy to the Board Chair stating that he or she is resigning and giving the effective date of the resignation.

Section 8 Reserved

Section 9 Reserved

Section 10 Executive Committee

10.1 EC Representation

The membership of each WEQ Sub-Segment shall elect representatives to the EC from its Sub-Segment in accordance with the NAESB Bylaws, Certificate, and these WEQ Procedures.

10.2 Qualifications of EC Members

A. Eligibility

To be eligible to serve as a NAESB EC Member from the WEQ, a

nominee must:

1. Have a working knowledge of the NAESB Process,
2. Be willing to commit the time and resources necessary,
3. Have the authority to fulfill the obligations as an EC representative,
4. Be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 10.4(j), and any other applicable provisions, as set forth in the NAESB Bylaws and
5. Be a Voting Member, or a partner in, or an officer or employee of, a Voting Member of the WEQ.

B. One Member, One Seat Per Segment

No two EC Members from the same or affiliated companies can be elected to the EC from the same Segment.

C. One Office Per Member Representative

No EC Member elected from the WEQ may hold both a Board seat and an EC seat concurrently in the WEQ or any other NAESB Quadrant. If a WEQ EC Member is elected as a Board Member from the WEQ, the WEQ EC seat is vacated immediately upon the EC Member's assumption of the Board position.

10.3 Number and Election of EC Members

A. Number of EC Members

The WEQ shall elect thirty (30) EC Members. Each Segment of the WEQ will elect six (6) EC Members, in accordance to the Sub-Segment allocation shown in Attachment A of the WEQ Procedures. Vacant seats are subject to Section 10.5 C of these WEQ Procedures.

B. Election of EC Members

Nominations for and election of all EC Members will be in accordance with the Sub-Segment allocation shown in Attachment A. Only Voting Members of the particular Sub-Segment for which the EC seat is being sought are allowed to vote in this process.

C. Segment Procedures

In preparation for any election of EC Members, other than initial EC Members:

1. Nominations may be made at or prior to the close of the WEQ nomination period by any appropriate Sub-Segment Member by submitting the candidate names to the NAESB Office in accordance with the NAESB Operating Procedures.
2. All EC nominees shall meet the personal and membership eligibility requirements set out in these WEQ Procedures. NAESB shall confirm that

a nominee meets the EC eligibility requirements.

3. All eligible nominees shall state in writing their willingness to accept the responsibility of serving as an EC Member, prior to the submission of their names to the Sub-Segment WEQ Membership at the election.

4. The WEQ EC nomination period shall end 30 days prior to the commencement of the election period. This deadline may be extended. All nominations shall be in writing.

5. Any WEQ Sub-Segment Voting Member who is current in the payment of its membership dues is eligible to vote per open Sub-Segment seat. The ballot shall contain the names of all eligible nominees.

6. The candidates receiving the greatest number of votes shall be elected.

D. Timing of Elections

The election of EC Members shall occur concurrently for all Segments of the WEQ.

E. Officers of the WEQ EC

The WEQ EC shall elect a Chair, a Vice Chair and a Secretary who shall serve for a period of one (1) calendar year. The Chair, and in his or her absence the Vice Chair, shall preside over the meetings of the WEQ EC. The secretary shall record and post the minutes of meetings.

F. Chair Rotation

At the expiration of the term of office of the current WEQ EC chair, the WEQ EC shall elevate the prior-year Vice Chair of the WEQ EC to Chair of the WEQ and shall elect a new Vice Chair. If the Vice Chair is vacant at the time of the first meeting of a new operating year, both a Chair and Vice Chair will be elected.

10.4 Term of Office

A. Terms

EC Members shall be elected for two-year terms, with half of the terms expiring in alternating years. The initial selection shall be by lottery, providing that Sub-Segments with two (2) seats may only have one seat expire per year.

1. Group A EC Member terms will expire in odd numbered years.
2. Group B EC Member terms will expire in even number years.
3. The initial WEQ EC Members shall be seated at the NAESB annual meeting. Subsequent new EC Members shall be seated at one (1) year intervals following this date.

B. Limit on Number of Terms of Office

EC Members from the WEQ may run for re-election without restriction on the number of terms held, provided that the position of the Chair, Vice

Chair and Secretary shall have a term limit of one year each.

C. Change of Affiliation

In the event that the EC Member changes affiliation, the EC seat will become vacant and open for re-election as prescribed Section 10.5 of these WEQ Procedures.

10.5 Vacancies

- A. A person shall cease to be a Member of the EC upon (1) the EC Member's resignation, removal, or death; (2) term expiration; or (3) the resignation or lapse, through a delinquency in payment of the membership dues, of the Segment Membership of the Entity that the EC Member represents. A vacancy shall be filled for the remainder of that term in accordance with the Segment Procedures.
- B. In the event that an EC Member resigns or otherwise vacates a seat, and less than 90 days remain in the term of office, the EC seat will remain vacant until the next election period and the respective Sub-Segments Designated Alternate will serve until a new EC Member is elected.
- C. If any one seat on the EC is vacant, the respective Sub-Segment will conduct nominations and elections to fill that seat. If, after ninety (90) days the seat is still vacant, that seat will be designated an "At Large" seat and the Segment will hold elections to fill that seat conforming to the Sub-Segment Principles. If that seat is still vacant within another ninety (90) days (180 days total) the voting rights of that "At Large" seat will be suspended. The Segment will be expected to re-organize with new Sub-Segments consistent with the six (6) EC seats, six (6) Board seats, and Sub-Segment Principles. The new sub-segmentation will become effective on approval by 75% of the Segment and then 67% of the WEQ Membership with the rights of the Board Members and EC Members effective under the new Sub-Segment designations. If the Segment is unable to develop new Sub-Segments within another ninety (90) days, an affirmative vote of 67% of the WEQ Membership is needed within the next 90 days to develop the new Sub-Segments for the Segment consistent with the Sub-Segment Principles.

10.6 Removal of WEQ EC Members - Reserved

10.7 Resignation of Members of the EC

A Member of the WEQ EC may resign his or her position by submitting a letter to the Secretary of NAESB with a copy to the WEQ EC Chair stating that he or she is resigning and giving the effective date of the resignation.

10.8 Designated Alternates

Each Segment's Sub-Segment of the WEQ may develop and approve a list of individuals to serve as Designated Alternates and will give such list to the NAESB office in accordance with the NAESB Bylaws.

A. Authority

Persons presenting themselves at an EC meeting as Designated Alternates will be accepted as a participant provided that:

1. No two EC Members and Designated Alternates from the same Voting Member can represent a Segment at an EC meeting.
2. He or she has been designated to attend by an absent EC Member from his/her Segment's Sub-Segment
3. The WEQ EC Member from that Segment either indicates to the NAESB Office, EC Chair or Vice Chair that the EC Member will be absent, or is in fact absent and remains absent, and
4. The name of the Designated Alternate is on a list of approved Designated Alternates selected by the appropriate Sub-Segment Membership according to these WEQ Procedures, and is on file with the NAESB Office.

10.9 EC Meetings

A. WEQ EC Meetings

1. WEQ EC meetings shall be held at times and locations determined by the Chair or Vice Chair of the WEQ EC. Meeting notices shall specify when in-person attendance is required, provided that in-person attendance shall not be required to vote.
2. The secretary of the WEQ EC shall record the minutes of meetings. In the event that the secretary is unavailable, the Chair of any WEQ EC meeting will designate a WEQ EC Member to record minutes of meetings.

B. Notices

The WEQ EC secretary shall post advance meeting notices and agenda on the NAESB website and transmit same in writing, by facsimile, e-mail, or other electronic means to all WEQ EC Members. Unless under extreme circumstances, meeting notices shall provide at least 10 days notice of the meeting.

B. Voting

1. The WEQ EC shall practice Balanced Voting and record voting results.
2. Each WEQ EC Member may participate and vote in EC meetings by

notational ballot. Every notational ballot shall be executed in writing by the WEQ EC Member or by his or her duly authorized attorney in fact and filed with the Secretary of NAESB.

3. Notational voting shall be permitted in accordance with the NAESB Bylaws, Section 10.4 (k)(i-iii).

D. Joint EC Meetings

In the event that the EC of the WEQ meets jointly with an EC of another NAESB Quadrant, the choice of Quadrant EC Chair presiding over the joint meeting will be determined by the precedence established in the order of rotation of EC Vice Chairs as specified in the NAESB Bylaws.

E. Governance

WEQ EC meetings shall be governed by one of the following:

1. Specific subcommittee or task force operating procedures as approved by a 67% affirmative vote of the EC or
2. NAESB Operating Procedures.

10.10 EC Subcommittees & Task Forces (Under Discussion)

Section 11 Reserved

Section 12 Reserved

Section 13 Reserved

Section 14 Reserved

Section 15 Reserved

Section 16 Reserved

Section 17 Reserved

Section 18 Reserved

Section 19 Reserved

Attachment A

NAESB WHOLESALE ELECTRIC QUADRANT PROPOSED INITIAL QUADRANT PROCEDURES JULY 10, 2002

The NAESB Wholesale Electric Quadrant will be composed of five segments. Each segment will have six seats on the Board of Directors and the Executive Committee. The organization for the segments is shown below:

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

| | | | |
|---------------|----------------------|------------------|---|
| Sub-segments: | Muni/Coop | Number of Seats: | 1 |
| | Fed/State/Provincial | | 1 |
| | IOU | | 2 |
| | ITC | | 2 |

- **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.

| | | | |
|---------------|----------------------|------------------|---|
| Sub-segments: | Muni/Coop | Number of Seats: | 1 |
| | Fed/State/Provincial | | 1 |
| | IOU | | 2 |
| | Merchant | | 2 |

- **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

| | | | |
|---------------|----------------------|------------------|---|
| Sub-segments: | Muni/Coop | Number of Seats: | 1 |
| | Fed/State/provincial | | 1 |
| | Not IOU affiliated | | 2 |
| | IOU Affiliated | | 2 |

- **Distribution/Load Serving Entities:** Any entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any entity designated to represent a distribution utility.

| | | | |
|---------------|--|------------------|---|
| Sub-segments: | Muni/Coop | Number of Seats: | 2 |
| | IOU | | 2 |
| | Competitive Retailer | | 1 |
| | <i>(not available to muni/coop, IOU or IOU affiliates)</i> | | |
| | Other | | 1 |
| | <i>(not available to muni/coop, IOU or IOU affiliates)</i> | | |

- **End Users:** Any entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any entity designated to represent an end user.

| | | | |
|---------------|--|------------------|---|
| Sub-segments: | End Use (also in another segment) | Number of Seats: | 1 |
| | Regulator | | 1 |
| | Residential/Commercial | | 1 |
| | Large Industrial (not in other segments) | | 2 |
| | End Use (Self Generation) | | 1 |

IOU Definition: An investor owned entity who has substantial business interest in owning and/or operating any two of the following three asset categories --- generation, transmission, distribution.

Attachment A (cont.)

Procedural Elements:

1. Entities may participate in multiple segments within WEQ.
2. “Sunrise .” Sub-segment principles will continue. Sub-segments may be revisited at any time, but no later than three years. Changes to sub-segments require 75% affirmative from with segment, subject to other minimum participation and deadline requirements.
3. RTO/ISO/IMO participation. All RTOs/ISOs and comparable Canadian entities are strongly encouraged to participate in the Standards drafting process from conception through drafting to the ratification stage. Furthermore, a Technical Advisory Council comprising those jurisdictionally-approved entities will be formed to provide technical support and counsel to the NAESB Board and EC. The Council will have the obligation to provide a technical assessment, evaluation and recommendation to the EC on all Standards relevant to the grid system and RTO market operations. Furthermore, the Council has an affirmative obligation to apprise the EC of a given Standard’s feasibility.
4. Fixed Annual Payment. All WEQ participants will pay a fixed annual payment. Annual payment should provide for required budget to administer the process to develop Standards. Exceptions must be approved by the NAESB Board.
5. Sub-segment population. NAESB WEQ will establish minimum number for populating sub-segments within a segment, including a deadline for such population.
6. Consultants. Contract consultants may be considered as an option for Standards drafting, contingent on identification of need and availability of sufficient funding.

Final comprehensive affirmation. This vote *[the vote taken by the Wholesale Electric Quadrant Formation Group on July 10 to endorse this package for forwarding to the NAESB Board of Directors for approval]* will reflect only the elements of this settlement. No changes of any kind can be made to this agreement without prior agreement of parties.

Attachment B

PLACEHOLDER - Coordination with the North American Electric Reliability Council (NERC)

Attachment C

**PLACEHOLDER - NAESB WHOLESALE ELECTRIC QUADRANT
STANDARDS DEVELOPMENT PROCESS**