

Date: 11/26/2003

To: Bud Krogh and Sarah Dennison-Leonard

Cc: Platform (nee drafting) Committee

From: Tom Foley and Natalie McIntyre
Representing Renewable Resources

RE: Comments on Draft Platform

The voting rules for establishing the Trustee Selection Committee (TSC) in the Stage 2 filing made a lot of sense and had the near unanimous support of the RRG. Also, the voting rules contained in the platform for deciding whether to move towards the end state for the five issues listed in 11.2 of the functions and features matrix make sense. We understand that the drafting committee wanted to erect a high hurdle for moving forward. Our concern is that when the two sets of rules are considered together there is a stronger bias against moving forward than was intended by the Drafting Committee. This bias should be corrected.

The rules were established in Stage 2 to select a TSC and subsequently a board that would direct the RTO in implementing all of the elements of the Stage 2 filing. All of the membership was assumed to elect TSC members that would be looking for board members who would do this well. The platform we have agreed to changes the strategic importance of who is on the TSC and the subsequent board selection. It moves from finding those board members who are qualified to direct the Independent Entity (IE) to board members who would support a predetermined position on whether to move forward. We are concerned that the Stage 2 rules for selecting the TSC will now turn into a strategic maneuver to select TSC members and board members who can pass a certain litmus test.

A quick look at two of the five voting blocks shows some of the problems. The Transmission Dependent Utilities (TDU) presumably will be comprised of most of BPA's customer utilities¹. Among these, let us assume there are progressive utilities and conservative utilities². The rules to select the TSC members from this group have four members being chosen by one vote per member majority rule. The other two members are chosen based on weighted average loads, i.e., members with larger loads get a proportionately higher share of the votes. Even now, we could probably spend 10 minutes reviewing the voting rules and know how that group will vote. The minority group whether it is the progressive or conservative camps, even if it is 49% of the membership, may not be represented on the TSC.

The end-users group may also have a problem. This group's TSC membership contains five members picked by large end users and one member picked by small users. It appears likely that this group could also easily form a voting block to stop progress towards the end state. What is worse, alliances between these groups that already exist outside of any consideration of RRG could dictate such a voting block. It is not clear in the present context why large users should have 5 votes compared to all other end users getting one vote. A typical distribution of loads is about 1/3 each for industrial,

¹ There is some indication that distribution arms of TOU may in this group. If so, the concern we express may be tempered.

² Relative to moving toward the end state.

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residential, and commercial. Again, the importance of the potential imbalance on the TSC did not matter as much in Stage 2 as it does in the platform stage³.

In summary, we think that the Stage 2 rules and the rules contained in the platform should be reconsidered in light of the fact that these rules taken together create a much larger barrier to moving forward than was intended by the drafting committee.

³ Not redundant.