

**Public Advocates Office Comments on the July 24, 2024 West-Wide Governance Pathway
Initiative Regional Organization Governance and Formation Workshop**

August 8, 2024

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) is the state-appointed independent ratepayer advocate at the California Public Utilities Commission (CPUC). Our goal is to ensure that all Californians have affordable, safe, and reliable utility services while advancing the state's environmental goals. Our advocacy efforts to protect California customers include energy, water, and communications regulatory matters.

Cal Advocates submits the following responses to the questions posed in the Stakeholder Comment Template under the Regional Organization (RO) Governance and Formation Workshop.¹

Regional Organization Formation Questions:

- 1. Type of Organization: do you support the proposed 501(c)(3) organization of the RO? If there is another organization that you feel would be a stronger fit for the RO, please tell us which organization you prefer and the basis for your opinion.*

Cal Advocates has no comment at this time.

- 2. State of Incorporation: Do you support proposed incorporation of the RO in Delaware? If you think there is another state that you feel would be a more compelling option, please tell us which state and the basis for your opinion.*

Cal Advocates has no comment at this time.

¹ Available at: https://www.westernenergyboard.org/wp-content/uploads/Stakeholder-Comment-Template_-RO-Formation-and-Governance.pdf

3. *Principal Place of Business: Do you support co-locating the RO in Folsom with the CAISO as the principal place of business? If there is a different location that you feel would be a stronger fit, please tell us which location and the basis for your opinion.*

Cal Advocates has no comment at this time.

4. *Do you have any additional feedback you would like to share with the Launch Committee on these topics?*

Cal Advocates has no comment at this time.

Regional Organization Governance Questions:

1. *The working proposal recommends there should be a collaborative relationship between the existing CAISO Board and the new RO Board. Where there are issues of joint authority for the two boards to consider, there should be joint meetings. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

Cal Advocates has no comment at this time.

2. *The working proposal recommends the RO Board should consist of seven members that meet the knowledge and skills requirements outlined in the RO Board selection procedure. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

The Launch Committee should consider more than seven members for an RO board. The modal CAISO Board of Governors and Western Energy Markets (WEM) Governing Body decision is unanimous. This consistent consensus is likely driven by extensive stakeholder and board engagement prior to the vote of the relevant bodies. However, these boards' frequent unanimity does

not accurately reflect divisions among stakeholders on any given issue, suggesting a dearth of dissent among each body's five members or even considered during public board sessions. Larger boards—including more than seven—would allow for more diverse perspectives and mitigate against groupthink.² Research indicates that increasing board size is positively associated with financial performance among corporations, although diminishing marginal returns suggest there is a reasonable cap on the size of the board.³ While there may not be an obvious optimal board size, Cal Advocates recommends considering a board size of nine to eleven.

3. *The working proposal recommends seats on the RO Board should not be reserved per se. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

Cal Advocates disagrees with the recommendation that seats on an RO Board should not be reserved. One seat on an RO Board should be designated to serve the interests of ratepayers because end-use customers will ultimately bear the costs for the entire market. This seat could be nominated by a consumer advocate body within an RO yet subject to the same approval process used for an RO Board member. This seat would be charged with prioritizing ratepayer interests and be advised by a consumer advocate body within an RO.

4. *The working proposal recommends the details of the Transition Plan from the WEM GB to the new RO Board should be left to the Formation Committee. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

² Groupthink is defined as “the mode of thinking that person engage in when *concurrence-seeking* becomes so dominant in a cohesive ingroup that it tends to override realistic appraisal of alternative courses of action.” Janis, Irving, *Groupthink*, IEEE Engineering Management Review, 2008, at 36. Available at: <http://agcommtheory.pbworks.com/f/GroupThink.pdf>.

³ Kathuria, V., & Dash, S, *Board Size and Corporate Financial Performance: An Investigation*, Vikalpa: The Journal for Decision Makers, 1999, at 11-17. Available at: <https://journals.sagepub.com/doi/pdf/10.1177/0256090919990303>

Cal Advocates has no comment at this time.

5. *The working proposal recommends that, based upon discussions to date, the Launch Committee has taken the position in the Phase 2 work plan that we will not launch the RO before the legislation is signed and the amended tariff is filed at FERC. There are formation efforts (e.g. type of corporation, tariff language development, bylaws development, board selection process) that should be pursued by the Formation Committee in conjunction with the CAISO in advance of these milestones, but mindful of the legislative process. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

Cal Advocates has no comment at this time.

6. *The working proposal recommends that startup funding for the RO will likely be required before any market supported funding is available. Due consideration should be given to identifying funding that would not be considered as compromising Board independence. Such sources might include DOE grant funding or ongoing support from the Pathways Initiative 501.c.3 funding via Global Impact. Do you agree with the recommendation? If not, please share your thinking and an alternative proposal for how this issue can better be addressed.*

Cal Advocates has no comment at this time.

7. *The Work Group is developing a draft RO Board selection procedure that started with the current WEM GB selection process. Specific issues for stakeholder input include:*

- a. Number and definition of nominating committee sectors*
- b. Board knowledge and skills requirements*
- c. Use of Formation Committee as approval body for initial board selection*
- d. Restriction on number of current WEM GB members that can transition to the new RO Board*

Please share your thinking on the proposal and any alternative proposals for how these issues can better be addressed.

Cal Advocates has no comment at this time.

- 8. Do you have any additional feedback you would like to share with the Launch Committee on these topics?*

Cal Advocates has no additional feedback at this time.