



MEMO

Date: July 12, 2005
To: Board of Directors
From: Bob Kahn
Subject: Bylaws Review – Initial Draft for Comment

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: July 19, 2005

Agenda Item No.: 9a

Issue:

ERCOT Bylaws reauthorization, compliance with SB 408 and other Bylaws changes.

Background/History:

The ERCOT Bylaws will expire on December 31, 2005. ERCOT must reauthorize the Bylaws and include amendments to comply with SB 408, legislation amending the Public Utility Regulatory Act and to reflect required changes to Board governance and other requirements.

In particular, for compliance with SB 408, the Bylaws should reflect:

- Addition of two Unaffiliated Directors (one of whom must be Chairman) by September 1, 2006
- Formal inclusion of public meeting requirements (notice and process)
- Disclosure and non-participation in matters where a Board Director has a direct conflict of interest

The Board has expressed a commitment to seating the new Unaffiliated Board Directors and submitting them for PUCT approval by the end of the year 2005. Board members have also discussed other desirable changes to the Bylaws (such as expanding Commercial Customer membership and limiting the practice of using proxies). Stakeholders and ERCOT Staff have made additional suggestions.

Attachment A summarizes the suggested Bylaws changes in the following categories: (1) items previously discussed by the Board; (2) compliance with SB 408; (3) suggestions from stakeholders; and (4) clean up items suggested by ERCOT staff.

Attachment B contains proposed amendments to be issued for public comment on July 21, 2005. It incorporates suggested language ONLY with respect to the first two categories: items previously discussed by the Board and SB 408 compliance items. The HR and



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Governance Committee will have a recommendation for Board action for posting the suggested changes in Attachment B for public comment. Attachment C contains a schedule for Bylaws review. Of course, the Board may choose to include in the initial draft for public comment some of the other suggestions set forth in Attachment A, or other changes.

Key Factors Influencing Issue:

ERCOT must reauthorize the Bylaws by the end of the year.
ERCOT must comply with the requirements of SB 408.

Alternatives:

Approve the posting of the suggested Bylaws revisions as reflected in Attachment B (or as modified by the Board) or remand this matter to the HR and Governance Committee.

Conclusion/Recommendation:

The HR and Governance Committee is expected to make a recommendation for Board approval of the posting of the suggested Bylaws revisions set forth in Attachment B, or as modified, for public comment.