



MEMO

Date: February 14, 2006
To: ERCOT Board of Directors
From: Bob Kahn, Chair -- HR & Governance Committee
Subject: ERCOT Board Chairman Compensation

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 21, 2006

Agenda Item No.: 11a

Issue:

The ERCOT Board Chairman is required to devote a significant amount of time to ERCOT governance and planning issues, over and above the amount of time individual Board members commit. Now that the Board Chairman is an independent director, compensation at a level greater than other independent directors may be warranted.

Background/History:

Independent directors are currently compensated for their service to the ERCOT Board based on an annual retainer of \$40,000 plus \$2,000 for each Board meeting they attend, and \$900 per month if they attend a monthly meeting of a committee of which they are a member. They are also reimbursed for reasonable travel expenses. Total annual compensation is limited to \$74,800.

Alternatives:

There are two primary alternatives: (1) Approve additional annual compensation to the Board Chairman if the position is held by an Independent Director; of (2) pay no additional annual compensation to the Board Chairman. If additional compensation is allowed, the amount of such compensation, over and above the amount other independent directors are paid, is a matter of discretion for the Board. HR & Governance will make a recommendation to the Board following the February 21, 2006 HR & Governance Committee meeting.

Conclusion/Recommendation:

The HR & Governance Committee will make a recommendation to the Board on this issue following the February 21, 2006 HR & Governance Committee Meeting.