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PETITION OF ELECTRIC RELIABILITY §
COUNCIL OF TEXAS, INC., FOR §
APPROVAL OF UNAFFILIATED §
DIRECTOR MS. JUDY W. WALSH §

PUBLIC UTILITY COMMISSION
OF TEXAS

**PETITION OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
FOR APPROVAL OF UNAFFILIATED DIRECTOR MS. JUDY W. WALSH**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and, pursuant to P.U.C. SUBST. R. § 25.362(g)(5), respectfully requests approval of Ms. Judy W. Walsh as an Unaffiliated Director of the ERCOT Board of Directors (Board). Ms. Walsh has been approved as a director by the corporate members of ERCOT, and has met all requisite qualifications for service on the ERCOT Board. As discussed herein, ERCOT requests Commission approval of Ms. Walsh's service on the ERCOT Board beginning January 1, 2012.

I. Background

In order for ERCOT to maintain certification as an independent organization under the Public Utility Regulatory Act (PURA) §39.151(g), the 16-member ERCOT Board must include "five members unaffiliated with any market segment and selected by the other members of the governing body to serve three-year terms."¹ The five "Unaffiliated Directors" are selected through a process that includes the following steps:

- Nomination of candidates by the Nominating Committee of the ERCOT Board. The Nominating Committee consists of all members of the Board other than the ERCOT Chief Executive Officer (CEO) and the Chairman of the Commission.²
- ERCOT provides notice to the Commission of the "candidates who have been identified and their qualifications, any recommendation that will be made to the [ERCOT Board], and any other information requested by a commissioner."³

¹ PURA § 39.151(g)(7).
² See ERCOT Bylaws § 4.3(b)(1).
³ P.U.C. SUBST. R. § 25.363(g)(5).

- After consultation with the Commission and selection by the Nominating Committee, the nominated candidates are submitted to the ERCOT Corporate Members for approval. Corporate Members receive notice of a special meeting of the corporation called for consideration of the election of Unaffiliated Directors. If the requisite number of ballots are received by ERCOT prior to the special meeting (as occurred in this case), the meeting is cancelled and the results of the election are announced to the membership.⁴
- Unaffiliated Director nominees approved by ERCOT's corporate membership are submitted to the Commission for final approval.

ERCOT began filing petitions for the approval of Unaffiliated Directors in 2003, in Docket No. 27652 (seeking approval of directors David Baggett, Miguel Espinosa and Mark Armentrout). Since that time, ERCOT has filed eight additional petitions for approval of Unaffiliated Directors for initial or renewal terms in the following P.U.C. dockets:

- Docket No. 30994 – Ms. Carolyn Lewis Gallagher (2005)
- Docket No. 32492 – Mr. Michehl R. Gent (2006)
- Docket No. 33183 – Ms. Jan L. Newton (2006)
- Docket No. 33185 – Mr. Mark Armentrout (2006 renewal)
- Docket No. 35862 – Dr. Alton D. Patton (2008) and Mr. Miguel Espinosa (2008 renewal)
- Docket No. 36566 – Mr. Michehl Gent and Ms. Jan Newton (2009 renewal)
- Docket No. 38373 – Mr. Jorge Bermudez (2010)
- Docket No. 38492 – Ms. Laura Doll (2010)

With this Petition for the approval of Ms. Walsh, ERCOT is concurrently filing similar petitions for approval of the two other Unaffiliated Director candidates approved by the ERCOT corporate membership – Mr. Karl Pfirrmann and Mr. Craven Crowell.

Prior to the adoption of the March 2011 amendments to the Commission's rules governing ERCOT oversight, Unaffiliated Directors were allowed to begin service on the ERCOT Board after their approval by the corporate membership but before issuance of a Commission order approving their selection. The applications for approval of Ms. Walsh, Mr. Pfirrmann, and Mr. Crowell are the first to be filed since the adoption of the requirement that

⁴ ERCOT Bylaws, §§ 3.7(g), 4.3(b)(4).

Commission approval must precede an Unaffiliated Director's service on the ERCOT Board (or the commencement of a second or third term on the Board).⁵

II. Statement of Jurisdiction and Authority

The Commission has jurisdiction over this matter pursuant to PURA, Texas Utilities Code Annotated § 39.151 (Vernon 2007 and Supplement 2009).

III. Identification of Applicant

The name and address of the Applicant is Electric Reliability Council of Texas, Inc., 7620 Metro Center Drive, Austin, Texas 78744.

The name, address, telephone, and facsimile numbers of Applicant's authorized representatives are as follows:

Bill Magness
General Counsel
ERCOT
7620 Metro Center Drive
Austin, Texas 78744
(512) 225-7076 (Phone)
((512) 225-7079 (Fax)
bmagness@ercot.com

Vickie G. Leady
Assistant General Counsel
ERCOT
7620 Metro Center Drive
Austin, Texas 78744
(512) 275-7436 (Telephone)
(512) 225-7079 (Facsimile)
vleady@ercot.com

IV. Selection Process for Ms. Walsh Complied with Commission and ERCOT Governing Rules

PURA requires that the ERCOT bylaws "prescribe professional qualifications for selection" as an Unaffiliated Director, and that "[t]he bylaws must require the use of a professional search firm to identify candidates for membership of unaffiliated members." In addition, PURA requires that the selection process for Unaffiliated Directors "must allow for commission input in identifying candidates."⁶ The selection process for Unaffiliated Directors is set forth in section 4.3(b) of the ERCOT bylaws, and includes the requirements mandated by

⁵ P.U.C. SUBST. R. § 25.363(g)(5) provides: "A person who is selected may not serve as a member of the [ERCOT] board until the commission approves the selection. An unaffiliated board member whose three-year term has expired shall, if reappointed by the ERCOT governing board, cease serving as a member of the governing board until the reappointment is approved by the commission."

⁶ PURA § 39.151(g).

PURA. In addition, the Commission's Substantive Rule § 25.363(g)(5) includes standards that ERCOT must meet to ensure "commission input" in identifying Unaffiliated Director candidates.

The selection of Ms. Walsh complied with the criteria established in PURA, Commission rules, and the ERCOT bylaws. Pursuant to ERCOT's Bylaws, the Nominating Committee of the ERCOT Board consists of all of the voting Directors of the Board other than the ERCOT CEO, and is charged with the selection of Unaffiliated Directors. At the direction of the Nominating Committee, ERCOT engaged an executive search firm and began its search for Unaffiliated Directors in June 2011. After a competitive process, ERCOT retained Russell Reynolds Associates, Inc. (Russell Reynolds), a nationally-recognized, executive search firm to assist in the search for qualified candidates.

Russell Reynolds embarked upon the candidate identification and screening process and reviewed candidates based on direct knowledge and third-party references, evaluating experience and functional expertise. Russell Reynolds' recommendations were prepared and presented to the Subcommittee of the Nominating Committee for Unaffiliated Director Searches (Subcommittee) in relation to the Subcommittee's interviews of the various Unaffiliated Director candidates. In addition, information prepared by Russell Reynolds regarding potential candidates was shared with the Commission. The Subcommittee presented its final Unaffiliated Director candidate selections to the Nominating Committee, and the finalists were scheduled for meetings with the Commissioners serving at the time of the candidates' interviews with the Nominating Committee.

The ERCOT bylaws require that Unaffiliated Directors must have "experience in one or more of these fields: senior corporate leadership; professional disciplines of finance, accounting, engineering or law; regulation of utilities; risk management; and information technology."⁷ An Unaffiliated Director candidate must also demonstrate "independence of any Market Participant in the ERCOT Region," including compliance with specific standards enumerated in the ERCOT bylaws.⁸ After determining that Ms. Walsh met ERCOT's qualification and independence requirements, the Nominating Committee unanimously selected Ms. Walsh for presentation to ERCOT's corporate members for election as an Unaffiliated Director. A summary of Ms. Walsh's professional qualifications and credentials is attached hereto as *Attachment A*.

⁷ ERCOT Bylaws § 4.3(b)(2)(i).

⁸ *Id.*, § 4.3(b)(2)(ii)(a)-(e).

On September 21, 2011, pursuant to the direction of the ERCOT Board, ERCOT issued its notice of Special Meeting of ERCOT's corporate membership to be held on October 12, 2011 (Special Meeting) for the election of three Unaffiliated Directors, including Ms. Walsh (*Attachment B*). Corporate Membership voting for the Unaffiliated Director was conducted pursuant to the Bylaws procedures requiring approval by a majority of Member Segments (i.e., at least four out of seven Member Segments). Ms. Walsh received the requisite number of segment votes by ballot on October 10, 2011, in lieu of the Special Meeting, to be elected as an Unaffiliated Director for a three-year term.

Having completed all other steps in the nomination and election process, ERCOT now requests Commission approval of Ms. Walsh for a three-year term as an Unaffiliated Director.

V. Notice Provided by ERCOT

ERCOT shall post its Petition for Approval of an Unaffiliated Director to its website at http://www.ercot.com/about/governance/legal_notices; send a copy of its Petition via first-class U.S. mail to the parties of record in ERCOT's last fee case, Docket No. 38124 *Application of the Electric Reliability Council of Texas for Approval of the ERCOT System Administration Fee*; and provide Notice of its Petition via electronic mail to ERCOT's email exploder lists of committees as follows:

- ERCOT Board of Directors and Others
- Technical Advisory Committee and Others (TAC)
- Retail Market Subcommittee (RMS)
- Wholesale Market Subcommittee (WMS)
- Reliability and Operations Subcommittee (ROS)
- Commercial Operations Subcommittee (COPS), and
- Protocol Revisions Subcommittee (PRS)

ERCOT will file an affidavit attesting to the completion of its proposed notice.

VI. Request for Procedural Schedule

Pursuant to P.U.C. SUBST. R. § 25.362(g)(5), ERCOT has notified the Commissioners regarding three imminent Unaffiliated Director vacancies resulting from: (a) the expiration of Dr. Alton D. Patton's term on June 16, 2011; (b) the upcoming expiration of Mr. Miguel

Espinosa's third and final term on December 10, 2011; and (c) the expected resignation of Ms. Laura Doll upon the Commission's approval of a successor Unaffiliated Director. Due to these circumstances, ERCOT seeks to fulfill three of the Board's five Unaffiliated Director positions in rapid succession.

If possible, ERCOT seeks to seat its three new Unaffiliated Directors by the January 17, 2012 date of the Board's first meeting for calendar year 2012. In order to facilitate Commission approval of Ms. Walsh and the two other Unaffiliated Directors by that time, ERCOT proposes the following procedural schedule, which aims toward approval of the Unaffiliated Directors at the Commission's December 15, 2011 Open Meeting.

ERCOT requests this accelerated schedule based on the fact that no party has intervened in ERCOT's prior Unaffiliated Director approval proceedings. As noted above, ERCOT has filed nine (9) dockets since 2003 seeking approval of Unaffiliated Directors, and all have been approved without the need for discovery or hearing. ERCOT's proposed schedule provides 30 days for parties to intervene, but if no interventions and hearing requests are filed, ERCOT requests completion of the proceeding pursuant to the Commission's procedural rules for informal disposition of uncontested dockets.⁹ The informal process authorizes the Presiding Officer to file a Proposed Order that is eligible for consideration by the Commission twenty (20) days after it is filed. ERCOT's proposal is as follows:

ERCOT posts Petition to its website and provides notice (as described in Section V herein)	October 13, 2011
<i>Texas Register</i> publication of the Commission's Notice of Petition for Approval of an Unaffiliated Director	October 21, 2011 (or as soon thereafter as possible)
Deadline for Intervention and requests for hearing (30 days from date of <i>Texas Register</i> notice)	November 21, 2011
If no hearing requested, Proposed Order filed by Presiding Officer for approval pursuant to P.U.C. PROC. R. § 22.35(b)(2)	November 23, 2011
Consideration of Proposed Order for Approval of an Unaffiliated Director at Commission Open Meeting	December 15, 2011

⁹ See P.U.C. PROC. R. § 22.35.

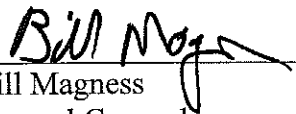
If parties do intervene, or Commission Staff requests a hearing, the schedule will, of course, be extended and the three new directors may not likely be seated in time for the January 2012 ERCOT Board meeting. If informal disposition is possible, however, ERCOT would appreciate the Commission accommodating the request for an accelerated schedule.

VII. Conclusion

ERCOT respectfully requests that the Commission approve Ms. Judy W. Walsh as an Unaffiliated Director for the ERCOT Board, adopt the procedural schedule requested by ERCOT in this Petition, and grant ERCOT all other relief to which it is entitled.

Respectfully submitted,

By:


Bill Magness
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Texas Bar No. 12824020
(512) 225-7076 (Phone)
(512) 225-7079 (Fax)
bmagness@ercot.com

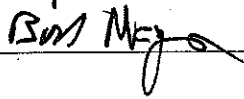
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ERCOT
7620 Metro Center Drive
Austin, Texas 78744

ATTORNEYS FOR ELECTRIC RELIABILITY
COUNCIL OF TEXAS, INC.

CERTIFICATE OF SERVICE

I certify that a copy of this document was served on all parties of record in this proceeding on October 13, 2011 in the following manner: by facsimile, email, or first-class U.S. mail.

A handwritten signature in black ink, appearing to read "Bill Meyer", is written over a horizontal line.

JUDY W. WALSH

Alto, NM

EDUCATION

1995	MS	UNIVERSITY OF TEXAS San Antonio, TX Taxation
1962	BA	RICE UNIVERSITY Houston, TX Economics and Business Administration

EXPERIENCE

2001 to 2004	SBC COMMUNICATIONS INC. (now AT&T) San Antonio, TX <i>Senior Vice President-Government Affairs</i> <i>Senior Vice President-Regulatory Policy</i>
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- Responsible for managing federal legislative and regulatory policy development.
- Developed and implemented state regulatory strategy for SBC's 13 state service territory.

1995 to 2001	PUBLIC UTILITY COMMISSION OF TEXAS Austin, TX <i>Commissioner</i>
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Appointed by Texas Governor George W. Bush. Throughout her tenure on the Commission, the telephone and electric industries were in transition from regulated monopolies to a competitive market structure.

JUDY W. WALSH

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- Led efforts to open these markets, and to develop structures that promoted effective competition. The successful Texas market structures have become models for many other states.
- Represented the U.S. to assist the former Soviet nations in restructuring their electric industries.
- Appointed by President-Elect Bush to serve on his Transitional Advisory Team for Energy Policy.
- Nominee for the Texas Women's Hall of Fame in 2000.

1992 to 1995

WALSH CONSULTING

A financial counseling firm with clients including closely-held corporation and high net worth individuals.

Founder

1985 to 1991

DELOITTE & TOUCHE
Dallas, TX

Partner – Tax Services
National Director of Executive Financial Counseling
Partner in charge of the Tax Practice – San Antonio

- Nationally recognized authority on financial planning issues and was frequently quoted in financial publications.

1980 to 1985

BANK OF WHITTIER
Whittier, CA

Founding Director
Vice Chairman of the Board
Chairman of the Loan Committee

JUDY W. WALSH

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1962 to 1979 DELOITTE & TOUCHE

1970 to 1979 *Partner*
Los Angeles, CA

- First woman admitted to the partnership in 1974.
- Served diverse client base.

1962 to 1970 *Manager/Accountant*

BOARD DIRECTORSHIPS

Midwest ISO
Chair, Audit and Finance Committee
2005-2010

Western Electricity Coordinating Council
Chair, Finance and Audit Committee
2007-2010



September 21, 2011

ERCOT Corporate Member:

Nominating Committee's Selection of and Request for Vote on Three Unaffiliated Director Nominees

On September 20, 2011, the Nominating Committee of the ERCOT Board of Directors (Board) unanimously selected Craven Crowell, Karl Pfirrmann and Judy Walsh as Unaffiliated Directors to serve on the Board, subject to approval by ERCOT Corporate Members and the Public Utility Commission of Texas (PUCT).

The Nominating Committee hereby presents Craven Crowell, Karl Pfirrmann and Judy Walsh for election by the Corporate Members as Unaffiliated Directors to serve on the Board.

General Background regarding Unaffiliated Director Vacancies on ERCOT Board

Section 4.2 of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (Bylaws) require that five Unaffiliated Directors serve on the Board along with eleven other Directors apportioned among other Segments and *ex officio* positions.

According to Section 4.3(b) of the Bylaws, the Nominating Committee is responsible for the selection of Unaffiliated Directors for presentation to the Corporate Members for approval. The Nominating Committee members include all voting members of the ERCOT Board with the exception of ERCOT President and Chief Executive Officer, H. B. "Trip" Doggett. Public Utility Commission of Texas (PUCT) Substantive Rule Section 25.362(g)(5) further requires that the selection of an Unaffiliated Director is subject to approval by the PUCT and may not serve on the Board until the PUCT approves the selection.

The Nominating Committee convened beginning in March 2011 to address expected Unaffiliated Director vacancies during 2011. Pursuant to the Section 4.3(b) of the Bylaws, the Nominating Committee retained Russell Reynolds Associates, a nationally recognized executive search firm, to locate and present candidates with qualifications required of Unaffiliated Directors.

After candidate interviews and deliberation, the Nominating Committee selected three Unaffiliated Director candidates to fill one current vacancy (for the seat previously held by A.D. Patton) and two expected vacancies (for the expiring, third and final term of Miguel Espinosa and for the upcoming resignation of Laura Doll who expects to remain on the Board until her seat is filled).

Professional Qualifications of Unaffiliated Director Nominees

As further detailed in the ERCOT Bylaws, qualifications for Unaffiliated Directors include:

- Experience in one or more of these fields: senior corporate leadership; professional disciplines of finance, accounting, engineering or law; regulation of utilities; risk management; and information technology;
- Independence from any Market Participant in the ERCOT Region to prevent any potential conflict of interest (as further specified in the Bylaws);
- Residence in the State of Texas preferred; and
- Other criteria as approved by the Board.



Information regarding the three Unaffiliated Director nominees' professional experience is attached for your review and consideration.

Special Meeting of the Corporate Members Called for October 12, 2011 at 10:00 a.m.

According to Section 3.7(b) of the Bylaws, the Board can call a Special Meeting of the Corporate Members to seek approval without a meeting as provided in Section 3.7(g): "Unless otherwise provided by law, any action required or permitted to be taken at any meeting of the Corporate Members may be taken without a meeting, if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of Corporate Members as would be necessary to take that action at a meeting at which all of the Corporate Members were present and voted." At its meeting on September 20, 2011, the Board considered and voted on the matter of calling of a Special Meeting of the Corporate Members in connection with the election of three Unaffiliated Directors.

You are hereby notified that the Board has called a Special Meeting of the Corporate Members (Special Meeting) for October 12, 2011 at 10:00 a.m. in Room 168 at 7620 Metro Center Drive, Austin, Texas 78744, for the purpose of voting on the three Unaffiliated Directors selected by the Nominating Committee.

Official Consent and Ballot Form Enclosed

The Nominating Committee encourages and appreciates your voting participation in this election. The Unaffiliated Directors may only be seated upon the approval of the Corporate Members and the PUCT.

Please review the enclosed Official Consent and Ballot form (Ballot). If the Corporate Members submit sufficient Ballots in advance of the Special Meeting date, the Unaffiliated Directors may be elected by consent in lieu of the Special Meeting.

If you agree to vote in the election of the Unaffiliated Directors without a Special Meeting, please indicate your voting preference, sign the Ballot and return it to ERCOT by **5:00 p.m. on October 10, 2011**. On October 11, 2011, a representative of ERCOT Legal Department will count the Ballots received to determine if the requisite number of Ballots have been submitted to allow a vote on the Unaffiliated Directors in lieu of the Special Meeting. A notice of either a successful vote or of the need to have the October 12, 2011 Special Meeting will be posted on the website at <http://www.ercot.com/committees/board/>, by October 11, 2011 at 12:00 p.m.

Please make every effort to sign and return the enclosed Ballot to ERCOT no later than 5:00 p.m., October 10, 2011.

Sincerely,
Tisa Wilkins
Tisa Wilkins
External Relations Specialist
ERCOT



**Official Consent and Ballot Form
for Approval of Unaffiliated Directors for the ERCOT Board of Directors**

The undersigned, Corporate Member of ERCOT (Member), hereby approves Craven Crowell as an Unaffiliated Director to be seated on the ERCOT Board of Directors (Board) upon Member and Public Utility Commission of Texas (PUCT) approval.

For	Against
<input type="checkbox"/>	<input type="checkbox"/>

The undersigned Member, hereby approves Karl Pfirrmann as an Unaffiliated Director to be seated on the Board upon Member and PUCT approval.

For	Against
<input type="checkbox"/>	<input type="checkbox"/>

The undersigned Member, hereby approves Judy Walsh as an Unaffiliated Director to be seated on the Board upon Member and PUCT approval.

For	Against
<input type="checkbox"/>	<input type="checkbox"/>

I hereby certify that:

1. I am a duly authorized representative of the Corporate Member of ERCOT listed below;
2. I consent to this action in writing in lieu of the Special Meeting of the Corporate Members currently scheduled for October 12, 2011;
3. My votes on the Unaffiliated Directors are listed above.

Signature

Name:

Corporate Member (Organization or Company):

Date:

Please make every effort to return this Official Consent and Ballot Form (Ballot) no later than 5:00 p.m. on October 10, 2011. The Ballot can be submitted via email (.pdf version) to twilkins@ercot.com, via facsimile to 512-225-7079, or via first class mail to ERCOT, Attention: Tisa Wilkins, 7620 Metro Center Drive, Austin, Texas 78744. If you have any questions, please contact Tisa Wilkins at twilkins@ercot.com.