



**CAROL ALVARADO**

STATE SENATOR  
DISTRICT 6

February 23, 2021

Mr. Bill Magness  
President and Chief Executive Officer  
Electric Reliability Council of Texas  
7620 Metro Center Drive  
Austin, TX 78744  
**Via Electronic Delivery:** [bmagness@ercot.com](mailto:bmagness@ercot.com)

**RE: Request for Information Regarding ERCOT Expenditures for Travel & Compensation**

Dear Mr. Magness:

I write to request information relating to significant expenditures for travel and conferences made by the Electric Reliability Council of Texas (ERCOT) and executive compensation for ERCOT executives and board members.

As tax-exempt organization under Section 501(c)(4) of the U.S. Internal Revenue Code, ERCOT must be operated "exclusively for the promotion of social welfare [...] and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes." Accordingly, taxpayers expect ERCOT to operate in a transparent manner relating to expenditures relating to travel and executive compensation.

Although ERCOT must operate to promote social welfare, it has demonstrated a stunning pattern and practice of insufficient preparation for winter weather in 1989, 2011 and again last week.<sup>1</sup> The catastrophic failure of ERCOT to ensure power for millions of vulnerable Texans has led to much-needed scrutiny of your organization. To this end, my office has reviewed ERCOT's most recent tax return, which raised serious questions about the organization's fiscal stewardship. First, the tax return highlights major expenditures for travel and attendance at conferences and events. These expenditures are all the more suspect given that several ERCOT board members reside outside of Texas. Second, the tax return reveals levels of executive compensation for yourself and several board members that appear excessive for a nonprofit entity.

In ERCOT's most recent tax filing, it reported expenditures totaling \$1.2 million for travel.<sup>2</sup> To assist my office in understanding the nature of these expenditures, please provide the following information:

- ERCOT's policies and procedures for approving or denying expenditures or reimbursement requests related to travel and indicate whether separate policies and procedures exist for board members and employees;

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- The total number of travel-related expenditures and requests for reimbursement submitted, approved or denied by ERCOT, broken out by employee or board member;
- For each travel-related expenditure or request for reimbursement paid for by ERCOT or reimbursed to an ERCOT employee or board member, please provide a breakout for each employee or board member, including the purpose of the travel, mode of travel, cost, class of travel and destination and origin point for each leg of trip.
- If any expenditure or request for reimbursement relates to travel for board members who reside outside the state of Texas or United States, please specifically indicate the name of the board member, the total number of travel related expenditures or requests for reimbursement made for or by the board member, the cost of each trip, the mode of travel, class of travel and destination and origin point for each leg of the trip.

ERCOT's tax return further reported expenditures totaling \$1.6 million for conferences, conventions and meetings.<sup>3</sup> To better illuminate the public purpose behind these expenditures, please provide the following information:

- ERCOT's policies and procedures for approving or denying expenditures or reimbursement requests related to conferences, conventions and meetings and indicate whether separate policies and procedures exist for board members and employees;
- The total number of expenditures and requests for reimbursement submitted, approved or denied by ERCOT, broken out by employee or board member;
- For each conference, convention or meeting related expenditure or request for reimbursement paid for by ERCOT or reimbursed to an ERCOT employee or board member, please provide a breakout for each employee or board member, including but not limited to the purpose of the attendance at the event, cost of attendance, time and date of the event, cost and place of lodging and any and all food and beverage related costs ultimately paid for or reimbursed by ERCOT; and
- For each event, please provide a brief justification describing how attendance by the ERCOT employee or board member furthered ERCOT's mission of "serv[ing] the public by ensuring a reliable grid, efficient electric markets, open access and retail choice."<sup>4</sup>

In ERCOT's most recent tax filing, the organization reported your annual salary of \$814,909.<sup>5</sup> ERCOT further reported using all available options to determine executive compensation, including engaging an independent compensation consultant, Forms 990 for other organizations and compensation surveys or studies.<sup>6</sup> To assist my office in understanding the process by which ERCOT determined your salary, please provide the following information:

- ERCOT's policies and procedure for determining your salary;
- The total number of compensation increases you have received since 2010, including dollar amount and percentage for each increase;
- The source of data relied upon by the ERCOT Board and its committees in determining comparability between your salary and compensation levels at similar organizations; and
- The similar organizations on which the Board or its committees used in making a comparability determination.

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Additionally, ERCOT reported compensation provided to five board members, who reportedly worked as few as eight hours per week while receiving significant amounts of reportable compensation.<sup>7</sup> For each of the below individuals, please provide a description of the services rendered, the rate for those services and the method by which ERCOT determined the rate for those services:

- Terry Bulger, Board Member, who worked an average of 8.00 hours per week and received \$65,250 in reportable compensation;
- Peter Cramton, Board Member, who worked an average of 8.00 hours per week and received \$87,000 in reportable compensation;
- Craven Crowell, Board Member, who worked an average of 15.00 hours per week and received \$99,800 in reportable compensation;
- Karl Pfirrmann, Board Member, who worked an average of 10.00 hours per week and received \$92,6000 in reportable compensation; and
- Judy Walsh, Board Member, who worked an average of 8.00 hours per week and received \$100,100 in reportable compensation.

I appreciate your prompt reply by the close of business on Thursday, March 4, 2021. Please do not hesitate to contact my office if I can provide further assistance or clarification relating to this request.

Sincerely,



Carol Alvarado  
State Senator, District 6

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<sup>1</sup> See FERC & NERC STAFF REPORT, REPORT ON OUTAGES AND CURTAILMENTS DURING THE SOUTHWEST COLD WEATHER EVENT OF FEBRUARY 1-5, 2011 (2011); *see also*, House State Affs. Comm., *Interim Report to the 83rd Legislature*, TEX. HOUSE OF REPRESENTATIVES, [https://house.texas.gov/\\_media/pdf/committees/reports/82interim/House-Committee-on-State-Affairs-Interim-Report-2012.pdf](https://house.texas.gov/_media/pdf/committees/reports/82interim/House-Committee-on-State-Affairs-Interim-Report-2012.pdf).

<sup>2</sup> See ERCOT's 2018 Filing Year IRS Form 990, Return of Organization Exempt from Income Tax (OMB No. 1545-0047) at Part IX, Line 17.

<sup>3</sup> *Id.* at Part IX, Line 19.

<sup>4</sup> *Id.* at Part III, Line 1.

<sup>5</sup> *Id.* at Part VII.

<sup>6</sup> *Id.* at Schedule J, Line 3 & Schedule O (referencing Form 990, Part VI, Section B, Line 15).

<sup>7</sup> *Id.* at Part VII.