



Date: October 13, 2009
To: Board of Directors
From: Nancy Capezzuti, Vice President and Chief Administrative Officer (CAO)
Subject: Ratification of Benefits Committee Members and Delegation of Authority

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: October 20, 2009

Agenda Item No.: 14b

Issue:

First, whether to ratify and/or modify any of the following existing practices:

- (i) Designation of the following officers as members of the Benefits Committee: President and Chief Executive Officer; Vice President and Chief Administrative Officer; Vice President and Chief Financial Officer; Vice President and General Counsel; and Senior Vice President and Chief Operating Officer; and
- (ii) Delegation to the Benefits Committee of the authority to perform the following actions with respect to ERCOT's employee benefit plans:
 - 1. Selection of benefits plans administrators and advisors;
 - 2. Selection of retirement savings plan investment options; and
 - 3. Monitoring cost and performance of investment plan options.

Second, whether to require the Benefits Committee to provide to the Board an annual report of its operations.

Background/History:

ERCOT maintains various employee benefit plans, including a various health and welfare plans and a 401(k) retirement savings plan. Administration of these plans is overseen by the Benefits Committee (formerly known as the Plan Administrative Committee).

The proposal before the Board today is to:

- (i) Ratify the composition of the Benefits Committee;
- (ii) Ratify delegation to the Benefits Committee of the authority to select benefits plan administrators and advisors, to select savings plan investment options, and to monitor the cost and performance of savings plan options; and
- (iii) Require the Benefits Committee to provide to the Board an annual report of its operations.

Key Factors Influencing Issue:

Pursuant to the Employee Retirement Income Security Act (ERISA) and pertinent case law, any individual who exercises discretionary control over (i) the management of a covered employee benefit plan or (ii) management or disposition of plan assets, is deemed a fiduciary who must administer the plan prudently for the benefit of participants of such plan. This fiduciary responsibility must be exercised by individuals who have a level of education, knowledge and experience that allows them to make proper decisions for the benefit of plan participants.



Individuals who are qualified to hold the positions of President and Chief Executive Officer; Vice President and Chief Administrative Officer; Vice President and Chief Financial Officer; Vice President and General Counsel; and Senior Vice President and Chief Operating Officer have been selected to their positions based on significant education, knowledge and experience requirements and are qualified to exercise these responsibilities.

Alternatives:

- Ratify the designated list of ERCOT officers to serve as members of the Benefits Committee;
- Designate a different list of ERCOT officers to serve as members of the Benefits Committee;
- Restrict or expand the authority delegated to the Benefits Committee;
- Require more frequent reports to the Board; or
- Defer any action.

Conclusion/Recommendation:

ERCOT Staff respectfully recommends that the Board do the following:

- (i) Ratify the following officers as members of the Benefits Committee: President and Chief Executive Officer; Vice President and Chief Administrative Officer; Vice President and Chief Financial Officer; Vice President and General Counsel; and Senior Vice President and Chief Operating Officer;
- (ii) Ratify delegation to the Benefits Committee of the authority to select benefits plan administrators and advisors, to select savings plan investment options, and to monitor the cost and performance of savings plan options; and
- (iii) Require the Benefits Committee to provide to the Board an annual report of its operations.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, corporate directors have a fiduciary responsibility to administer employee benefits plans prudently for the benefit of participants of such plans, and

WHEREAS, such fiduciary responsibility should be exercised by individuals who have a level of education, knowledge and experience that allows them to make proper decisions for the benefit of plan participants; and

WHEREAS, individuals who are qualified to hold the positions of President and Chief Executive Officer; Vice President and Chief Administration Officer; Vice President and Chief Financial Officer; Vice President and General Counsel; and Senior Vice President and Chief Operating Officer have the requisite education, knowledge and experience; and

WHEREAS, ERCOT’s Vice President and Chief Administrative Officer (CAO) recommends that the ERCOT Board take the actions described below:

NOW, THEREFORE, BE IT RESOLVED, that the ERCOT Board hereby ratifies as members of the Benefits Committee the following officers: President and Chief Executive Officer; Vice President and Chief Administration Officer; Vice President and Chief Financial Officer; Vice President and General Counsel; and Senior Vice President and Chief Operating Officer.

FURTHER RESOLVED, that the Benefits Committee has and shall have the authority to select benefits plan administrators and advisors, to select savings plan investment options, and to monitor the cost and performance of savings plan options; and

FUTHER RESOLVED, that the Benefits Committee shall provide to the Board an annual report of the Committee’s operations.

CORPORATE SECRETARY’S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its October 20, 2009, meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Michael G. Grable
Corporate Secretary