

The Human Resources and Governance (HR&G) Committee is expected to consider HR&G Committee Agenda Item 7:

Recommendation regarding Appointment of Non-Independent Manager and Officer of Texas Electric Market Stabilization Funding N LLC (TEMSFN)

at its meeting on October 9, 2024.

The Board of Directors is expected to hear the HR&G Committee's recommendation on this matter as part of the HR&G Committee Report at the Board meeting on October 10, 2024.

Attached are the Board materials in relation to these agenda items.



Date: October 3, 2024
To: Board of Directors
From: Peggy Heeg, Human Resources and Governance (HR&G) Committee Chair
Subject: Appointment of Non-Independent Manager and Officer of Texas Electric Market Stabilization Funding N LLC

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: October 10, 2024

Item No.: 9.2.3

Issue: Appointment of Non-Independent Manager and Officer of Texas Electric Market Stabilization Funding N LLC (TEMSFN).

Background/History:

On December 2, 2021, TEMSFN was formed, with Electric Reliability Council of Texas, Inc. (ERCOT) as its sole member, to support ERCOT’s obligations under the bonds subsequently issued pursuant to Texas Utilities Code Chapter 39, Subchapter N.

Under Sections 4.01(a) of the *Amended and Restated Limited Liability Company Agreement of Texas Electric Market Stabilization Funding N LLC* (Company Agreement) dated June 7, 2022, ERCOT, in its capacity as sole member, has powers that include the selection of Managers and Officers of TEMSFN and delegating to those Managers and Officers certain duties.

Pursuant to the Company Agreement, the following persons were designated by ERCOT in its capacity as sole member to be the initial non-independent Managers and Officers of TEMSFN:

President and Chief Executive Officer – Chad V. Seely; Vice President and Chief Financial Officer – Sean Taylor; and Vice President and Treasurer – Leslie Wiley.

Sections 8.2 and 4.10(c) of the *Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc.* (Bylaws) requires that the ERCOT Board of Directors (Board) ratify ERCOT officers for terms not to exceed one year. Section 8.2 further provides that officers may be re-elected or re-ratified for consecutive terms without limitation and that all officers shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. While not required by the Company Agreement, ERCOT Legal staff recommends that the Board appoint non-independent Managers and Officers as necessary and ratify such Officers of TEMSFN on a periodic basis, consistent with best practice and the requirement for annual ratification of ERCOT officers.

Annually, the Managers and Officers of TEMSFN, have re-elected the above officers. Furthermore, annually, the Board has considered and ratified the election of the above officers of TEMSFN.

On August 29, 2024, Sean Taylor, provided notice that he resigns his positions as a non-independent Manager and Vice President and Chief Financial Officer of TEMSFN, effective October 1, 2024.

Key Factors Influencing Issue:

- TEMSFN must have Managers and can have officers to perform its statutory and corporate functions.
- Effective October 1, 2024, there is a vacant non-independent Manager position and a vacant Officer position for TEMSFN.
- It is recommended that TEMSFN maintain three non-independent Managers of TEMSFN as they act by majority vote on most management matters and there are also two independent Managers whose vote is required only on certain matters (merger or voluntary bankruptcy).
- Legal staff has recommended that the officers of TEMSFN be appointed by the ERCOT Board and ratified on a periodic basis.

Conclusion/Recommendation:

At its October 9, 2024 meeting, the HR&G Committee will consider recommending whether the Board, at the October 10, 2024 Board meeting, should appoint Richard Scheel as a Manager and Vice President and Chief Financial Officer of TEMSFN.



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

WHEREAS, on October 27, 2021, Texas Electric Market Stabilization Funding M LLC (TEMSFN) was formed, with Electric Reliability Council of Texas, Inc. (ERCOT) as its sole member, to support ERCOT's obligations under the bonds subsequently issued pursuant to Texas Utilities Code Chapter 39 Subchapter N;

WHEREAS, on November 12, 2021, ERCOT, as the sole member of TEMSFN and pursuant to its power under Section 4.01(a) of the Amended and Restated Limited Liability Company Agreement of Texas Electric Market Stabilization Funding N LLC (Company Agreement), appointed by written resolution the Managers of TEMSFN;

WHEREAS, pursuant to the sole member's power under Section 4.01(a) of the Company Agreement, ERCOT, as the sole member of TEMSFN, may by written resolution select a replacement Manager and Officer of TEMSFN;

WHEREAS, pursuant to Sections 8.2 and 4.10(c) of the *Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc.* (Bylaws), the Board of Directors (Board) of ERCOT shall ratify ERCOT officers for a term while employed not to exceed one year;

WHEREAS, ERCOT Legal staff has recommended that the Board appoint the non-independent managers and the officers of TEMSFN;

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to appoint the non-independent managers and the Officers of TEMSFN; and

WHEREAS, on August 29, 2024, Sean Taylor, provided notice that he resigns his positions as a TEMSFN non-independent Manager and Vice President and Chief Financial Officer of TEMSFN, effective October 1, 2024;

THEREFORE, BE IT RESOLVED, the Board hereby appoints the following as a non-independent Manager and officer of TEMSFN to fill the vacancies created by Mr. Taylor's resignation:

Richard Scheel as Manager and Vice President and Chief Financial Officer.



CORPORATE SECRETARY'S CERTIFICATE

I, Chad V. Seely, Corporate Secretary of ERCOT, do hereby certify that, at its October 10, 2024 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of October, 2024.

Chad V. Seely
Corporate Secretary