

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Vice President, General Counsel and Corporate Secretary
Date: October 21, 2009
Re: **Decision to Modify Board Compensation**

This memorandum requires Board action.

EXECUTIVE SUMMARY

This memorandum proposes a minor modification to the rules regarding compensation of the Board of Governors to allow the Board members to be compensated for attendance at ISO-sponsored events where the Chief Executive Officer requests Board member attendance. As the ISO continues to improve its communication and engagement with stakeholders, the ISO intends to create opportunities for informal engagement between the Board members and stakeholders, such as the October symposium.

Because this type of event is designed to facilitate engagement between the individual Board members and customers, stakeholders and policy makers, Board member participation is important, and it is reasonable to provide Board members with compensation for their attendance. In addition, Management proposes a minor clarification to reflect the ISO's practice of paying the annual retainer in quarterly installments and minor clarifications to the provision related to reimbursement for meetings. All other provisions related to Board compensation remain in the same form as approved by the Board in May 2008. The underlined language in the motion below represents the proposed modifications:

MOTION

Moved, that in accordance with Article III, Section 17 of the bylaws, the ISO Board of Governors hereby modifies the compensation to Board members for their service to the California ISO to include compensation at ISO-sponsored events where the Chief Executive Officer specifically requests Board member attendance, effective October 1, 2009:

- *The standard annual retainer paid to a Governor shall be \$20,000, paid in accrued quarterly installments;*

- *A fee of \$500 shall be paid for each day of in-person participation at a noticed in-person meeting, and a fee of \$250 shall be paid for each day of telephone participation in a noticed teleconference meeting;*
- *An additional fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed in-person meeting, and a fee of \$250 for each meeting day shall be paid for time spent preparing for a noticed teleconference meeting;*
- *A fee of \$500 shall be paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer specifically requests Governor attendance;*
- *If a Board Committee meeting is noticed adjacent to a Board of Governors meeting on the same day, only one meeting fee and preparation fee shall be paid to Committee members. Governors who are not also Committee members will not be compensated for optional attendance at a Committee meeting noticed for a date not adjacent to a Board of Governors meeting;*
- *Reasonable expenses associated with in-person or teleconference meetings shall be reimbursed;*
- *Governors who attend meetings or events as representatives of the Board, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair or ISO Management in consultation with the Chair, are not eligible for compensation but shall be eligible for reimbursement of reasonable expenses, as deemed appropriate and approved by the Chair of the Board;*
- *Governors shall be eligible for conference fees and reasonable expenses associated with seminars, training and conferences related to corporate governance or best practices for Governing Boards, deemed appropriate and approved by the Chair of the Board; and*
- *Reimbursements for reasonable expenses, as set forth above, shall be in compliance with the ISO Corporate Travel Guidelines for Governors.*

ANALYSIS

Under both the state law governing nonprofit corporations and the ISO's bylaws, the Board must approve compensation for its members. The Board last addressed the matter of compensation for its members in May 2008 when it ratified and clarified compensation levels.

In March, Management briefed the Board on efforts underway to improve the ISO's engagement with stakeholders, both in response to stakeholder input and in response to the Federal Energy Regulatory Commission's direction that ISO boards must be responsive to the needs of customers and stakeholders. In furtherance of this effort, the ISO sponsored a symposium on October 7 and 8 to facilitate a collaborative discussion between stakeholders, policymakers, the Board and management about key issues affecting the West's electric grid and markets.

At this event, and for future events of its type, participation by individual Board members is critical to accomplishing the objectives. Board members actively participate and engage at these events to further the purpose and effectiveness of the Board in carrying out its duties. Thus, it is appropriate that Governors receive compensation for their in-person attendance at these types of events that are ISO-sponsored and where the CEO requests Governor participation. The proposed motion language amends the compensation guidelines to provide for compensation under these circumstances, and clarifies the provision regarding reimbursement for other meetings so there is no confusion between which provision applies.

Finally, the ISO's practice is to pay the annual retainer in accrued quarterly installments to compensate for actual service on the Governing Board. If a Board member leaves the Board prior to serving a full quarter, the Board member is paid a pro-rated stipend to compensate for his or her actual service. The proposed language reflects this practice.

CONCLUSION

Management recommends that the Board adopt the above motion to modify the resolution related to compensation for Board members, effective October 1, 2009.