

**DRAFT MINUTES OF H.R. & GOVERNANCE COMMITTEE MEETING  
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

ERCOT Austin  
7620 Metro Center Drive, Room 211  
Austin, Texas 78744  
September 18, 2007 at 9:30 a.m.

**Committee Members Present**

Carolyn Lewis Gallagher  
Mark Armentrout  
Brad Cox  
Andrew Dalton  
Bob Helton  
Jan Newton  
Suzi McClellan

**ERCOT Staff**

Bob Kahn  
Nancy Capezzuti  
Lori Cobos

**Call to Order**

Ms. Gallagher opened the meeting at 9:30 a.m.

**Minutes**

**Ms. Gallagher moved for approval of the August minutes and Ms. Newton seconded. The minutes were approved by unanimous voice vote.**

**Succession Planning for Independent Board Members**

Ms. Gallagher opened the discussion by stating that she believed that the Board needed more independent Board members with industry experience, because an independent Board member should now be able to serve as Board chair at some point; therefore, the more independent Board members with industry experience, the better.

Mr. Armentrout noted that when Ms. Gallagher joined the Board the statute requiring the Board chair be an independent Board member had not yet passed. Mr. Armentrout agreed that independent Board members should have more industry experience going forward. Mr. Armentrout then added that he would like to see a more formalized list of expectations for the five independent Board member positions. Mr. Armentrout noted that many Boards assign skill sets to Board member positions. Mr. Armentrout stated that the Board has members with IT, risk and finance backgrounds and, when Ms. Gallagher was nominated, the Board was looking for her managerial and controls experience. Mr. Armentrout stated that Ms. Newton was nominated because the Board needed someone to help them with their external constituency. Mr.

Armentrout noted that the Board had only started asking all of the candidates for independent Board member positions if they were interested in serving as Board chair, after Ms. Gallagher was added to the Board.

Ms. Gallagher added that the Board was an operational Board rather than a policy Board, and, therefore, the Board chair had to understand the organization's operations. Ms. Gallagher suggested that the Board should look for someone with industry knowledge that could serve as a workable chair. Mr. Helton added that he thought that the vision going forward was to have an unaffiliated Director serve as Board chair and a market participant with industry experience serve as vice-chair, in order to have a balanced Board. Mr. Helton suggested that an alternative is to have a vice-chair that is strong on the operational side.

Mr. Armentrout stated that another issue with this Board chair, as opposed to other Board chairs and even other non-profit Board chairs is that this Board chair is not hired to run the organization – this Board chair is more of a referee and meeting facilitator.

Ms. Gallagher noted that her term goes through March 2008 and suggested that it would be ideal to have a new independent Board member by the retreat in February. Ms. Newton asked if Ms. Gallagher would be willing to stay longer, but Ms. Gallagher stated that it would be better to get a new person on Board – the Board should make the decision now if a new Board member is going to be hired by March. Mr. Armentrout asked Ms. Capezzuti to codify expectations for each of the five independent Board member positions for the next committee meeting. Mr. Armentrout also stated that he would have private one-on-one conversations with Ms. Gallagher and report back when the search should start to find a new independent Director

Ms. Newton added that unaffiliated Board members bring value to the Board because unaffiliated Board members come without preconceived bias. Ms. Newton agreed that Ms. Gallagher's opinion that the Board should have more independent Board members with industry knowledge has merit, but stated that people like Ms. Gallagher bring value to the organization. Ms. Gallagher noted that there will not be any independent Board members with industry knowledge to serve as Board chair after Mr. Armentrout's term expires.

Mr. Kahn added that independent Board members are on the Board because independent Board members are not connected to the industry. Mr. Kahn also stated that there was nothing wrong with an independent Board member not having industry experience and added that there was a lot of experience within ERCOT staff to assist the independent Board members.

#### Executive Session

Ms. Gallagher adjourned into Executive Session at 9:46 a.m. The meeting emerged from Executive Session at 9:59 a.m.

**The meeting adjourned at 9:59 a.m.**

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Michael G. Grable  
Assistant General Counsel