

**DRAFT MINUTES OF THE HUMAN RESOURCES & GOVERNANCE COMMITTEE
OF THE TEXAS REGIONAL ENTITY DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Room 209, 7620 Metro Center Drive, Austin Texas 78744

May 20, 2008

Directors

Jan Newton, Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Andrew Dalton	Valero	Industrial Consumer
Bob Helton	International Power America	Independent Generator
Laurie Pappas ¹	Office of Public Utility Counsel	Residential Small Consumer
Bob Kahn	CEO, ERCOT	

Other Attendees

Larry Grimm, Texas Regional Entity Chief Compliance Officer
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Ryan Clay, Texas Regional Entity Senior Paralegal
Nancy Capezzuti, ERCOT VP HR & OD
Mike Grable, ERCOT General Counsel

Call to Order

Chair Jan Newton called the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) Human Resources and Governance Committee (Committee) meeting to order at 8:36 a.m.

Approval of Previous Minutes

Andrew Dalton moved for approval of the minutes of the April 15, 2008 Committee meeting; Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Vision and Mission Statement

The Committee discussed the proposed Texas RE Vision and Mission Statement, and noted that it included the revisions suggested at the April 15, 2008 Committee meeting.

Ms. Newton moved to recommend the Board approve the proposed Texas RE Vision and Mission Statement; Andrew Dalton seconded the motion. The motion passed by unanimous voice vote.

Update on the Texas RE Governance and Committee Structure

The Committee discussed possible modifications to the board governance and committee structure of Texas RE. Ms. Newton noted that Lane Lanford, Executive Director of the Public Utility Commission of Texas (PUCT), had sent the PUCT Commissioners a memo dated March 25, 2008, recommending two options to reduce any perceived independence issues by Texas

¹ Mr. Don Ballard, Public Utility Counsel, designated Ms. Laurie Pappas, Office of Public Utility Counsel, as his Alternative Representative for representation in this meeting.

RE Directors. One option was for the Texas RE Board of Directors to create a new committee to hear all Texas RE administrative matters relating to personnel, staffing, budget, financial audit, and related matters. This new committee would replace the current Human Resources & Governance Committee and Finance & Audit Committee, and would make recommendations to the full Board for voting items. The second option proposed was that the Texas RE Directors who were also registered entities with NERC would agree to abstain from voting on issues relating to personnel, staffing, budget, financial audit, and related matters. Susan Vincent informed the Committee that, at a meeting on April 30, 2008, Commissioner Julie Parsley told Larry Grimm, Bob Kahn, Mike Grable, and Ms. Vincent that the PUCT had revised its initial preference for the second option and had determined that it preferred the first (new committee) option. One reason for this preference is that it required no bylaws modifications.

Laurie Pappas stated that it was Don Ballard's preference to have voting and non-voting directors for Texas RE. Mark Armentrout stated that PUCT Chairman Barry Smitherman had strongly advised the Texas RE Board to make modifications to the governance and committee structure of Texas RE in an effort to improve the perception of independence of Texas RE from ERCOT. Mr. Armentrout stated that he had discussed various restructuring options with many of the Directors and the consensus seemed to favor the PUCT-approved option of abolishing the Texas RE Finance & Audit Committee and the Texas RE Human Resources & Governance Committee and forming a single Texas RE Board committee or subcommittee, comprised of the Unaffiliated Directors, which would make recommendations to the Board of Directors regarding personnel, budget and other administrative matters. Mr. Armentrout and Ms. Newton suggested that the new Texas RE committee could meet on the Monday prior to the Board meetings, immediately prior to the 4:00 p.m. Q&A meeting, to avoid conflicts with the ERCOT Board and Committee meetings. The Committee members agreed that the separate Texas RE committee solution would help reflect the independence of Texas RE from ERCOT. The Committee noted that there would likely be times when Texas RE staff would need to attend the ERCOT Human Resources & Governance or Finance & Audit Committee meetings to give updates or input, particularly when related to the shared services performed by ERCOT for Texas RE (e.g. benefits, salary administration, etc.).

Chair Newton concluded that she would report to the Board of Directors that the Committee had discussed the matter, and then asked Ms. Vincent to provide a draft of a proposed new committee charter for Texas RE at the June 17, 2008 Committee Meeting. Mr. Armentrout reiterated the point that the new Texas RE sub-committee will not have the authority to make any decisions, only recommendations to the full board, so there should not be a conflict of interest.

Recommendation of CEO Title

The Committee had a discussion about the addition of the title of Chief Executive Officer for the Texas RE chief executive. The Committee noted that the Bylaws referred to the top executive of Texas RE as a chief executive officer and the Chief Compliance Officer, and the Committee noted that FERC had indicated that it would prefer that Larry Grimm held the chief executive officer title, as another indication that ERCOT was separate from Texas RE.

Mr. Armentrout made a motion to recommend Board approval of the title of CEO and CCO for Larry Grimm; Bob Helton seconded the motion. The Committee approved the recommendation by unanimous voice vote.

Future Agenda Items

Chair Newton asked Texas RE staff to prepare an annual Committee calendar that would parallel ERCOT's Human Resource & Governance Committee calendar. Chair Newton

requested that as a minimum the following topic areas to be added to the calendar and future agenda items:

- Texas RE Succession Planning
- Texas RE Personnel issues (such as hiring and retention updates and annual reviews and compensation);
- Review of Texas RE Employee Ethics Agreements
- Review of Bylaws and consideration of proposed revisions
- Board training for Texas RE Board
- Texas RE CEO/CCO Strategic Vision and Long-term Goals
- Texas RE self-assessment and Texas RE external assessment (possibly including market participant feedback on Protocol compliance).

Andrew Dalton asked if the Committee could rely on NERC to perform or provide an external assessment on Texas RE. Ms. Vincent informed the Committee that NERC would (as required by FERC) be assessing the performance of Texas RE beginning in late 2008, and NERC would do a follow-up assessment or audit every three years. Bob Kahn asked if the NERC assessment would include input from market participants. Mr. Grimm responded that he did not yet know how NERC would conduct the assessment and that NERC was still formulating a plan.

Mr. Grimm asked the Committee when the members would like for him to submit his proposed Strategic Vision and Long-term Goals. Mr. Armentrout stated that ERCOT CEO will provide his Strategic Vision and Long-term Goals to the Board of Directors at the July Board meeting. Mr. Grimm said he would try to have his Strategic Vision and Long-term Goals prepared by July for the Committee's review. Mr. Armentrout noted that the Texas RE CEO/CCO Strategic Vision and Long-term Goals should include strategic changes and planning with NERC, FERC, and ERCOT ISO.

Executive Session

At 9:11 a.m., the Committee meeting was adjourned and the Committee went into Executive Session until 9:15 a.m., when the Committee returned to Open Session.

Open Session

Approval of CCO Employment Terms

Bob Helton made a motion to recommend that the Board approve the CCO employment terms discussed in executive session; Andrew Dalton seconded the motion. The motion passed by unanimous voice vote.

Adjournment

Ms. Newton adjourned the meeting at 9:16 a.m.

The next regular Human Resources and Governance Committee meeting will be held on the morning of Tuesday, June 17, 2008.

Susan Vincent, Secretary