

**MINUTES of H.R. & GOVERNANCE COMMITTEE**  
**TEXAS REGIONAL ENTITY, a DIVISION OF ERCOT**

ERCOT Austin  
7620 Metro Center Drive, Room 209  
Austin, Texas 78744

September 18, 2007 at 8:30 a.m.

**Committee Members Present**

Carolyn Lewis Gallagher, Chairperson  
Jan Newton, Vice-chairperson  
Mark G. Armentrout  
Brad Cox  
Andrew J. Dalton  
Suzi McClellan

**ERCOT Executives, Board Alternates, and Staff Present**

Bob Kahn  
Bob Helton  
Nancy Capezzuti  
Lori Cobos  
Mark Henry  
Lane Robinson

**Others Present**

Eddie Kolodziej, Customized Energy Solutions

**Outside Counsel and Staff Present**

David F. Brown, Esq., Hughes & Luce, LLP  
Ginny B. Hayes, Legal Assistant, Hughes & Luce, LLP

**Call to Order**

Chairperson Gallagher called the meeting to order at 8:30 a.m.

**Minutes**

Chairperson Gallagher asked if the members had any changes to the minutes of the past monthly meeting. When no changes were requested, Chairperson Gallagher invited a motion to accept. **Vice Chairperson Newton moved approval of August minutes, and Mr. Cox seconded. The minutes were approved by unanimous voice vote.**

**Open Session – Amended and Restated Delegation Agreement; Ethics Agreement; Corporate Secretary; CCO Goals; Reporting Structure; and Other Business**

Chairman Gallagher took up Item No. 3, and Mr. Brown was requested to present the proposed Amended and Restated Delegation Agreement (the “Draft Agreement”) and related Resolutions for its approval. Mr. Brown described the more significant elements of the Draft Agreement,

including the mechanisms for collecting the relevant fees, the allocation of potential penalties levied against ERCOT-ISO, and mechanisms for prosecution of violations.

Mr. Dalton joined the meeting at 8:35 a.m. Ms. McClellan joined the meeting at 8:40 a.m.

Mr. Dalton and others questioned the policy of how ERCOT-ISO penalties should be handled, and particularly the potential impact on consumers. Mr. Brown explained the mechanism established in Exhibit E to the Draft Agreement and its development in conjunction with NERC Staff.

Mr. Helton joined the meeting at 8:45 a.m.

Mr. Brown also informed the Committee that Mr. Grimm was attending a FERC Technical Conference where a principal topic is the policy question of the imposition of monetary penalties upon RTOs and ISOs. Mr. Brown informed the Committee of the time constraints related to the Draft Agreement and stated that a decision was required before the next ERCOT Board Meeting, but that he would try to get clarification from NERC before the Texas RE Board Meeting later in the day.

**Chairperson Gallagher stated that she needed a vote from the Committee and asked if she had a motion. Mr. Armentrout moved to approve after asking a question about the filing. Ms. Newton seconded.** After a discussion about whether approval of the filing was necessary at this Texas RE Board meeting date or whether a vote could be delayed, Mr. Brown committed to conferring with Mr. Grimm and NERC on the topic.

Mr. Brown also stated that the FERC dockets involving the various regions' delegation agreements was on FERC's Agenda for next Thursday, September 20, 2007, potentially addressing ERCOT's petition for clarification of the April 19 Order.

Mr. Armentrout asked if the PUC was given the opportunity to review, and Mr. Brown stated that PUC Staff had been involved in the process of drafting the procedural rules related to the Compliance Monitoring and Enforcement Program. In addition, Mr. Brown reported that the amendments to the Bylaws submitted to the PUC had been approved. After further discussion **Ms. Newton withdrew her second, and no vote was taken** pending further information from NERC and Mr. Grimm, which Mr. Brown was charged with obtaining. **Chairperson Gallagher agreed to hold open the agenda and to reconvene the Committee at 2:30 p.m. or upon adjournment of the ERCOT Board meeting to continue the discussion of the item, and if necessary, to take up a motion and a vote.**

Chairperson Gallagher then took up Item No. 4, the proposed Ethics Agreements to be used with Texas RE employees and consultants. Mr. Brown and Ms. Capezzuti explained the basic terms of the agreements, and Mr. Dalton offered specific changes that would be helpful. Ms. Capezzuti committed to incorporating the Committee's suggestions. No vote was taken

Chairperson Gallagher then took up Item No. 5, relating to the appointment of a Texas RE Corporate Secretary (or Assistant Secretary). Mr. Brown explained the item. **Chairperson Gallagher requested a motion for approval. Ms. Newton moved for approval. Mr. Cox seconded. The item was approved by unanimous voice vote.**

Chairperson Gallagher then took up Item No. 6, in which the Texas RE's goals and performance standards were reviewed. The Committee was informed that Mr. Grimm had revised the goals in

accordance with the Committee's previous direction. A discussion was held, including Mr. Cox and others about the need to discuss audit issues he wanted to discuss with Mr. Grimm.

Mr. Kahn joined the meeting at 9:06 a.m.

Mr. Dalton, Mr. Cox, and other Committee members discussed the prospect of using NERC feedback to determine if Texas RE is meeting its goals, in that the NERC input should be independent. Mr. Cox suggested getting input from the PUC as well. Ms. Newton suggested that Ms. Capezzuti build an evaluation document that adjusts certain evaluation measures and that she work with Mr. Grimm on the adjustments.

Ms. Capezzuti stated that she would work with Mr. Grimm on the project.

Chairperson Gallagher stated that a bigger issue for TRE is standards for evaluation of CCO performance and asked whether the issue should be taken up again at a later meeting.

The Committee, with input from Mr. Kahn and others, also discussed the enforcement processes for Protocol enforcement and for NERC Reliability Standards enforcement. Because a number of issues remained open because of a need for further information or refinement, Ms. Newton suggested waiting until next month to continue discussions when Mr. Grimm was present. **Chairperson Gallagher concluded the item without seeking a motion or taking a vote.**

Ms. Cobos and Mr. Kolodziej left the meeting at 9:15 a.m.

**Chairperson Gallagher then moved the Committee to Closed Session.**

#### **Closed Session – Personnel Matters – Chief Compliance Officer Recommendation**

**Chairperson Gallagher asked to approve last months minutes. The minutes were approved by unanimous consent.**

Chairperson Gallagher adjourned the open portion of the meeting into Executive Session to handle personnel, litigation, and contract matters at approximately 9:15 a.m.

**Chairperson Gallagher invited a motion to approve the Committee's recommendation on a CCO hiring. A motion was made, seconded, and approved by unanimous voice vote.**

The Executive Session adjourned at approximately 9:29 a.m. No other votes were taken.

Chairperson Gallagher resumed the open portion of the agenda at approximately 9:30 a.m.

#### **Open Session – TRE Reporting Structure**

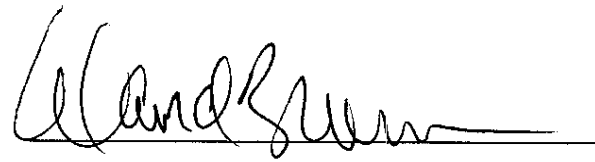
Ms. Cobos re-joined the meeting at 9:30 a.m.

**Chairperson Gallagher asked for any changes to the Closed Session minutes. A motion to approve was made, seconded, and approved by unanimous voice vote.**

Chairperson Gallagher deferred the remainder of the Open Agenda to open the ERCOT HR and Governance Committee meeting. **No vote was taken.**

#### **Adjournment**

The meeting suspended at 9:45 a.m. and re-opened for the purpose of adjourning at 3:25 p.m. The meeting was adjourned at 3:27 p.m.

A handwritten signature in black ink, appearing to read "David F. Brown", written over a horizontal line.

By: David F. Brown

Its: Assistant Secretary