

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

Airport Hilton, Longhorn Room, Austin, Texas

December 11, 2007 – 9:07 a.m.

Meeting Attendance

Committee members:

Jan Newton, ¹ Acting Chair	Unaffiliated	
Mark Armentrout, Chair	Unaffiliated	
Brad Cox	Tenaska Power Services	Independent Power Marketer
Andrew Dalton	Valero Energy Corp.	Industrial Consumer
Bob Kahn	ERCOT CEO	
Suzi McClellan	Office of Public Utility Counsel	Residential Small Consumer

Other Attendees:

Larry Grimm, Texas Regional Entity Chief Compliance Officer
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Nancy Capezzuti, ERCOT VP HR & OD
Mike Grable, ERCOT Assistant General Counsel
Bruno Ierullo, ERCOT H.R. Director
Theresa Gage, ERCOT
David F. Brown, Hughes & Luce, LLP, Outside Counsel and Assistant Secretary
Ginny Hayes, Hughes & Luce, LLP, Outside Counsel Assistant

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. Human Resource & Governance Committee convened at 9:07 a.m. on **December 11, 2007**. Acting Chair Jan Newton called the meeting to order and ascertained that a quorum was present.

Executive Session

At 9:09 a.m., the Committee meeting was adjourned and the Committee went into Executive Session until 9:10 a.m., when the Committee returned to Open Session.

¹ Ms. Carolyn Gallagher, Unaffiliated Director, provided a proxy to Ms. Jan Newton for representation in this meeting.

Texas Regional Entity

An Independent Division of ERCOT

Approval of Previous Minutes

Mark Armentrout moved for approval of the minutes of the November 13, 2007 meeting; Suzi McClellan seconded the motion. The motion passed by unanimous voice vote.

Personnel Matters

Jan Newton introduced Bruno Ierullo, the new H.R. Director.

Discussion of Operation and Governance of Texas RE as a Separate Division of ERCOT

Ms. Newton asked Larry Grimm to provide an update and an overview of the operation and governance issues Texas RE has experienced. Mr. Grimm explained that the Texas RE expected to encounter challenges in 2008 that were similar to those faced in 2007, including (1) a need to perform a challenging 2008 compliance audit schedule, (2) the need to develop the 2009 Budget and Business Plan (to be presented to Finance & Audit Committee for review in April or May) in light of changing and likely increasing roles; and (3) on-going staffing concerns.

Mr. Grimm noted that, because 2008 would be the first full year for Texas RE federal responsibilities, the staffing needs for Texas RE were not completely known. He reminded the Committee that the Texas RE has 22 budgeted and 17 filled positions for 2007, and that 3 of the open positions (Director of Compliance and 2 Compliance Engineer/Analysts) were most difficult to fill. In response to Ms. Newton's question asking if Mr. Grimm was obtaining good candidates for these positions, Mr. Grimm informed the Committee that he was not really seeing many qualified candidates, and that two qualified candidates had declined offers from Texas RE. Mr. Armentrout emphasized that Texas RE must avoid sacrificing quality as it works to fill the needed positions as quickly as possible. Mr. Grimm told the Committee that he also had Financial Analyst and Standards Development positions open, but he had extended an offer for an Executive Assistant and was hoping to receive a positive response by the end of the week. Mr. Grimm reminded the Committee that the 2008 Business Plan projection of 26 positions was the best possible projection at this time, but the number of EECF and other reliability events would drive the ultimate staffing needs for 2008.

Bob Kahn joined the meeting at 9:17 a.m.

Mr. Grimm discussed the written presentation materials with the Committee, noting that Texas RE was continuing to (1) train Texas RE staff on the required audit process, (2) work with NERC to improve the processes and procedures, (3) work through registration issues. Mr. Armentrout asked Mr. Grimm if the term "event" was defined by either NERC, FERC, or the enabling federal legislation, and Mr. Grimm explained that NERC did use major and significant "events" as defined terms in the Rules of Procedure (such as Rules 807 and 808). In response to a question by Mr. Armentrout, Mr. Grimm explained that any ISO event investigation was led by the ISO, which must complete and send a report to Texas RE. Texas RE would then review the report for any reliability implications, and, if needed, would audit the ISO. Mr. Armentrout confirmed that the Board wanted to hear from the ISO and any involved market participant regarding any event, and the Board only wanted to hear from Texas RE regarding any audit that was conducted. Mr. Grimm confirmed that registrations were ongoing and that load serving entity and joint registrations were just beginning. He mentioned that the joint registrations would add complexity to the audit process. Mr. Grimm said that there were no compliance or enforcement appeals yet, and that Texas RE would not have discretion regarding the penalties imposed for violations, since these would depend upon the seriousness of the violations. In response to a question by Bob Kahn, asking how the hearing procedures to be used by Texas RE for NERC Standards enforcements would differ from the

Texas Regional Entity
An Independent Division of ERCOT

Public Utility Commission of Texas ("PUC") rules, David Brown noted that the rules had been designed to be consistent with PUC procedures.

Bob Kahn left the meeting at 9:21 a.m., returning at 9:22 a.m. Mr. Grimm noted that Texas RE would continue to attempt to maintain a good working relationship with ERCOT ISO. ERCOT ISO provides much of the information upon which Texas RE depends to do its work. Ms. Newton said that the Board understands that the relationship is complicated, but the Board did not want Texas RE to be any more lenient in its enforcement against the ISO of NERC Reliability Standards or state Protocol or Operating Guide requirements than it would be for any other market participant. Ms. Newton also expressed that the Board hoped that the ISO and Texas RE would maintain a good working relationship. Mr. Grimm acknowledged that Texas RE's relationship with the ISO was complex, but that Texas RE diligently maintained the functional separation of the Regional Entity from the ISO. Mr. Grimm reminded the Committee that NERC was auditing the independence of the SPP regional entity from the SPP RTO and noted that Texas RE was not sure when FERC would next visit.

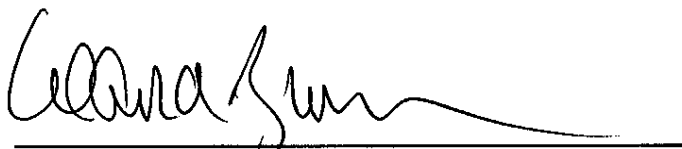
Mike Grable left the meeting at 9:26 a.m., returning at 9:27 a.m. Ms. Newton asked if, because of the shortage of skilled staff, Mr. Grimm or ERCOT staff were going to visit local universities. Mr. Kahn and Nancy Capezzuti explained that ERCOT staff had discussed the power systems curriculum with University of Texas and Texas A&M, and ERCOT was working on a program for hiring engineers who were 1 to 2 years out of school and a summer intern program. Ms. Newton suggested that ERCOT also contact smaller local universities who might be very receptive to curriculum suggestions. Mr. Grimm informed the Committee that it was critical to have competitive salaries for the skilled positions to help ensure that Texas RE would attract qualified individuals. Mr. Grimm mentioned that the current facility was nearly full, and when the budgeted personnel were hired, only two cubicles would remain.

Theresa Gage joined the meeting at 9:33 a.m.

Mr. Grimm informed the Committee that the current FERC mandate for rigorous audits might dictate the need for more Texas RE staff down the road, but he told the committee that he would keep them apprised. He explained that Texas RE had intended to use 3-4 people on each audit, but NERC preferred to have 4 regional entity personnel on each audit. Mr. Grimm confirmed that the Texas RE relationship with market participants was still good, but that as violations are identified and penalties are assessed, he expected that this would become more challenging.

Mark Armentrout reminded the Committee that the Board would be discussing the operation and governance of the Texas RE in more detail at the February Board Strategic Retreat.

Ms. Newton adjourned the meeting at 9:50 a.m.



By: David F. Brown
Its: Assistant Secretary