

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

7620 Metro Center Drive, Austin, Texas 78744

October 21, 2008 at 9:01 a.m.

Committee Members Present

Jan Newton (Chair)
Mark Armentrout
Bob Helton
Andrew Dalton
Don Ballard
A.D. Patton

ERCOT Staff

Bob Kahn
Nancy Capezzuti
Mike Grable
Lori Cobos
Susie Westbrook
Kristi Hobbs.

Other

Mark Dreyfus

Call to Order

Ms. Newton opened the meeting at 9:01 a.m.

Executive Session

Ms. Newton adjourned into Executive Session at 9:01 a.m.

The meeting emerged from Executive Session at 9:40 a.m.

Minutes

Mr. Dalton stated that the two, ten percents related to salary increases for Unaffiliated Board members should be removed because the ten percent figure is incorrect. Ms. Newton noted that the minutes should state “due to Finance and Audit (F&A) Committee’s pending recommendation” instead of “decision” under the Other Business section of the minutes. Mr. Armentrout requested that additional language should be included in the minutes stating that Unaffiliated Board member compensation will be reviewed in the future. **Ms. Newton moved for approval of the amended September minutes and Mr. Helton seconded. The amended minutes were approved by unanimous voice vote.**

RW Beck Study Update

Ms. Newton suggested that the Committee formalize a response to Public Utility Commission of Texas (PUCT) on the governance issues discussed in the study for the Board's approval. Mr. Ballard noted that the response should state that the Board sees value in separating the Finance and Audit functions of the F&A Committee. Ms. Newton added that the response state that the Board is always open to consideration of these governance issues. Mr. Dalton agreed and suggested that the response state that these governance issues are addressed at the annual Board retreat and are continuously reviewed by the Board. Mr. Kahn stated that the ERCOT management provided the Board and the PUC with management's response to the other issues discussed in the study.

Broadcast Board Meeting Proposal

Mr. Kahn reported that various options were reviewed for broadcasting Board meetings. Mr. Dreyfus asked if a call-in number was a viable option and Mr. Grable responded that a call-in number would not allow the Board meeting discussions to be archived for later review. Mr. Ballard stated that broadcasting board meetings would allow Market Participants and other interested parties with limited resources to hear the Board meeting discussions without having to attend the meeting. Mr. Dreyfus added that broadcasting ERCOT stakeholder meetings would also be a tremendous help from a resource perspective. Mr. Grable stated that archiving the Board meeting discussions would also be helpful because it is uncertain what Board meeting discussions will warrant review in the future. Ms. Newton requested that Mr. Kahn choose an economical option in the estimated \$50 to 60K cost range.

Board Policies & Procedures

The Committee considered the appeals procedures for Technical Advisory Committee (TAC) – related decisions. Mr. Dreyfus expressed his concerns regarding the time requirement for designating a TAC advocate. Ms. Newton suggested that caveat language should be added to the appeals procedures stating that the Board retains authority to modify the appeals procedures in emergency situations and Mr. Grable developed the language. Mr. Helton moved that the Committee recommend that the Board approve the appeal procedures for TAC-related decisions with the addition of the caveat language and Dr. Patton seconded the motion.

Annual Committee Charter Review

Ms. Newton requested that the language on Page 1 under Purpose should be clarified to state that the Committee approves an employee compensation “strategy” instead of “programs” and recommends Chief Executive Officer (CEO) compensation to the Board. The Committee agreed to recommend that the Board approve the Committee Charter with the two modifications.

Board Governance During Current Financial/Market Conditions

Mr. Armentrout stated that the Board has an ad hoc group, with oversight responsibilities, that provides advice to the Board on current financial and market conditions.

Other Business

Mr. Dreyfus noted an emerging concern among Market Participants that ERCOT does not have sufficient “study horse power” to address reliability studies and other market issues.

No other business was raised.

The meeting adjourned at 10:04 a.m.

Michael G. Grable
General Counsel