

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

7620 Metro Center Drive, Austin, Texas 78744

February 19, 2008 at 9.00 a.m.

Committee Members Present

Jan Newton (Chair)
Mark Armentrout
Don Ballard
Carolyn Gallagher
Bob Helton

ERCOT Staff

Bob Kahn
Nancy Capezzuti
Mike Grable
Lori Cobos

Call to Order

Ms. Newton opened the meeting at 9:02 a.m.

Executive Session

Ms. Newton adjourned into Executive Session at 9:03 a.m.

The meeting emerged from Executive Session at 9:08 a.m.

Minutes

Ms. Newton moved for approval of the January minutes and Mr. Helton seconded. The minutes were approved by unanimous voice vote.

Annual Committee Calendar

Ms. Newton asked the committee whether any items should be added to the committee calendar. Mr. Grable noted that external relations would be addressed in April and emphasized the importance of monitoring external relations, particularly with the potential for both ERCOT administrative and Nodal fee cases and Nodal go-live all to be sensitive topics in 2008, as well as issues surrounding the expiration of the Met Center. Ms. Newton recommended that there should be quarterly updates on external relations issues and Mr. Grable agreed.

Ms. Newton stated that the Committee should receive and discuss draft Market Participant survey results as early as possible, and Ms. Capezzuti agreed, noting that Mr. Giuliani had stated that the draft survey would be available in May or June. Ms. Newton added that Opinion Dynamics was used to conduct the survey in order to provide consistency with the two previous

surveys, although Mr. Kahn did note that outdated survey questions—such as “how is the rollout of the retail market going?”— were replaced with new questions, including Nodal-related questions. Mr. Ballard asked how long ERCOT has been conducting the survey; Ms. Newton responded that this will be the third biennial survey.

Mr. Ballard asked whether new Board member training would be added to the Committee calendar. Mr. Grable replied that the training was intended to be delivered to new Unaffiliated Directors at the time they joined the Board, rather than on a standing calendar schedule, but added that new Board member orientation would also be addressed at the Board Retreat, and complimented Dottie Roark on her work in compiling the materials. Ms. Capezzuti added that the same material used for new Board member orientation would be used for new employee training as well.

Self-Evaluation Survey Responses

Ms. Newton noted that the survey responses were generally positive and indicated satisfaction with Committee performance and that Ms. Gallagher’s efforts to update the Committee Charter have served as an excellent guide for the Committee. Mr. Kahn noted that he would be providing more feedback and detail on CEO succession planning, per the Committee’s prior request.

Head-Count Staffing Levels

Ms. Capezzuti presented a chart comparing ERCOT’s February 2007 and 2008 nodal staffing needs. Ms. Capezzuti stated that the Nodal project would result in new system processes that would require additional staff, and some contractors that were already trained in Nodal-related work would be retained. Ms. Capezzuti noted that ERCOT was currently trying to fill fifty-four positions with five offers extended. Mr. Ballard asked how many open positions did ERCOT have at the beginning of the Nodal Project. Ms. Capezzuti stated that there were over 100 open positions at that time. Ms. Capezzuti pointed out that more employees left than were hired in November and December of 2007; however, we are making positive advancements in January and February of 2008.

Mr. Kahn pointed out that ERCOT conducted a “deep dive” analysis of ERCOT processes and tasks to determine training needs and areas of redundancy and that the Public Utility Commission (Commission) has hired R.W. Beck to analyze ERCOT’s staffing needs. Ms. Capezzuti noted that Beck was very impressed with ERCOT’s “deep dive” analysis, but she did not yet have Beck’s final opinion on the 736 or so staff positions that ERCOT felt would be needed in 2009. Ms. Newton asked whether the staffing issue would be driving the fee case. Mr. Kahn confirmed, but added that the Commission seemed to be more concerned about ERCOT’s budget allowing ERCOT to meet its staffing needs and conduct necessary market activities.

Board Policies & Procedures

Mr. Ballard raised the issue of compensation for the Residential Consumer Representative (Representative) that the Office of Public Utility Counsel (OPC) appoints to sit on the Technical Advisory Committee (TAC) and TAC subcommittee meetings. Mr. Ballard noted that his review of historical data provided by Mr. Grable revealed steady historical payments of \$2,500 a

month. Mr. Ballard, however, stated that he was interested in incenting board member attendance at TAC meetings and recommended consideration of whether the payments were sufficient, and whether including travel-expense reimbursement might enable him, in the future, to recruit a potential Representative from outside of the Austin area. Mr. Ballard also suggested moving away from a flat monthly payment and toward payment per meeting attended. Mr. Armentrout and Ms. Newton agreed with Mr. Ballard on reimbursement, but questioned the need to increase compensation.

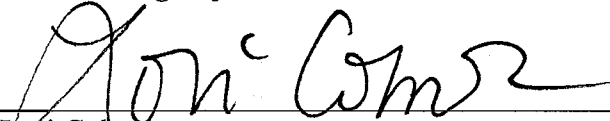
Mr. Helton pointed out that consumer representation is important at TAC meetings and also at Texas Nodal Transition Plan Task Force (TPTF) meetings and at TAC subcommittee meetings, but noted that per-meeting payments could spiral out of control without a cap. Mr. Ballard added that compensation should help attract Representative candidates that bring value to ERCOT. Mr. Newton agreed with Mr. Ballard, but noted that she wants to ensure that ERCOT gets value in return for the compensation.

Mr. Grable suggested, as a compromise, that Representative compensation and reimbursement be set as: \$1,500 per month as a retainer; \$500 per TAC, TPTF, or other TAC subcommittee meeting attended; and a hard cap of \$3,000 per month, along with travel-expense reimbursement consistent with the ERCOT Employee Expense Reimbursement Corporate Standard. Ms. Newton and Mr. Ballard agreed with this approach, and Mr. Ballard agreed that he would present it as his proposal for the Board's consideration.

Other Business

No other business was raised.

The meeting adjourned at 9:55 a.m.



Lori Cobos
Associate Corporate Counsel