

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

7620 Metro Center Drive, Austin, Texas 78704

July 15, 2008 at 9:03 a.m.

Committee Members Present

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

ERCOT Staff

Bob Kahn
Nancy Capezzuti
Mike Grable
Matt Morais
Lori Cobos
Lea Anne Porter
Mark Dreyfus (Chairman of TAC)

Call to Order

Ms. Newton opened the meeting at 9:03 a.m.

Minutes

Ms. Newton moved for approval of the June minutes and Mr. Helton seconded. Mr. Dalton abstained from voting because he was not present at the June Committee meeting and Dr. Patton voted as present. The minutes were approved by unanimous voice vote.

2008 ERCOT Benefits Review

Ms. Porter presented the 2008 benefits review to the Committee, highlighting the current benefits provided to ERCOT employees, including 401(k) Plan, health insurance options, and other employee benefits. Ms. Porter and Ms. Capezzuti noted that ERCOT's 401(k) Plan currently contains approximately \$60M in net assets. Mr. Ballard asked how ERCOT chooses its investments, and Ms. Porter responded that the benefits are chosen by ERCOT's Benefits Committee. Ms. Capezzuti added that ERCOT conducts quarterly reviews of its 401(k) fund performance and looks for ways to reduce investment fees. Ms. Porter noted that there is currently an 86% employee participation rate in the 401(k) Plan. Recent 401(k) changes include moving from "A" shares (retail shares) to "I" shares (institutional shares) that provide better interest rates and fewer fees for employees, instituting auto enrollment in the 401(k) Plan for new employees, and increasing the maximum amount that employees can contribute into the 401(k) Plan.

Mr. Ballard suggested that ERCOT consider Health Savings Accounts (HSAs) as an alternative to traditional health plans. Ms. Newton made a request that any Committee member's recommended benefit changes be added as a future agenda item after the completion of the Nodal project.

Ms. Newton and Mr. Ballard asked about ERCOT's sick-leave policy. Ms. Capezzuti responded that employees track sick time in the time tracking tool and supervisors/managers must approve. A doctor's excuse is required if an employee is sick for more than three days or more often if a manager believes there might be abuse of the program. Dr. Patton asked whether an employee's vacation time is accrued, and Ms. Porter responded that an employee's vacation time is accrued with a 240 hour cap.

Review of ERCOT Employee & Director Ethics Agreements

Ms. Newton noted that review of the employee and director ethics agreements was a standing calendar item for the Committee this month. Mr. Grable stated that he is taking a closer look at the employee ethics agreement provision that provides that an employee must inform ERCOT Legal and Human Resources of a potential conflict of interest. Mr. Grable and Ms. Capezzuti review potential conflicts of interest.

Mr. Armentrout informed the Committee that former Commercial Consumer Segment Board Member Bob Manning of H.E.B. has suggested that ERCOT should eliminate the two-year limitation on Consumer-Segment ERCOT member employees, officers, and directors becoming Unaffiliated Board Members. Mr. Grable noted that this change would necessitate a change in the ERCOT Bylaws and possibly in the Public Utility Regulatory Act (PURA). Ms. Newton stated that the Committee should take no action pending a specific proposal.

Ms. Newton noted that the employee ethics agreement did not address ERCOT employees providing administrative support to the Texas Regional Entity (TRE), and Mr. Grable stated that this is a valid concern and that he would report back to the Committee at a future meeting.

2008 KPI Matrix Update

Ms. Capezzuti presented the quarterly update on the Key Performance Indicator (KPI) Matrix. Ms. Newton noted that she liked the current format of the KPI Matrix and encouraged the Committee to make any suggestions to Ms. Capezzuti.

R.W. Beck Study

The Committee discussed this PUC-sponsored study, specifically recommendations to separate Finance and Audit Board committee functions, to create a Board executive committee, and to restructure the Technical Advisory Committee (TAC). Mr. Armentrout opposed all three because the hybrid Board does not lend itself to separate Finance and Audit committees and because TAC is functioning well. Mr. Kahn and Mr. Dreyfus agreed that an executive committee had been utilized in the past and did not work with the hybrid Board. Mr. Ballard supported the creation of a separate Audit Committee. Mr. Kahn noted that ERCOT had already taken action on a number of the recommendations made by the Beck study, such as the

development of a Strategic Plan. A motion by Mr. Armentrout to forward specific recommendations on the new board committees to the full Board was seconded by Mr. Dalton. Ms Newton suggested that the committee review all of the Beck recommendations and provide a comprehensive report to the full board. Mr. Armentrout and Mr. Dalton withdrew the motion and second. Ms. Newton announced that the Committee would continue deliberating this topic further at the August meeting.

Other Business

No other business was raised.

The meeting adjourned at 10: 03 a.m.

Executive Session

Ms. Newton adjourned into Executive Session at 10:03 a.m.
The meeting emerged from Executive Session at 10:04 a.m.



Lori Cobos
Associate Corporate Counsel