

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

7620 Metro Center Drive, Austin, Texas 78704

August 19, 2008 at 9:02 a.m.

**Committee Members Present**

Jan Newton (Chair)  
Mark Armentrout  
Bob Helton  
Andrew Dalton  
Don Ballard

**ERCOT Staff**

Bob Kahn  
Mike Grable  
Matt Morais  
Lori Cobos

**Call to Order**

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

**Executive Session**

Ms. Newton adjourned into Executive Session at 9:02 a.m.  
The meeting emerged from Executive Session at 9:17 a.m.

**Minutes**

**Mr. Helton moved for approval of the July minutes and Mr. Armentrout seconded. The minutes were approved by unanimous voice vote.**

**R.W. Beck Study**

The Committee discussed the following R.W. Beck Study's recommendations: (1) Separation of the Technical Advisory Committee (TAC); (2) Creation of an Executive Committee; and (3) Separation of the Finance and Audit (F&A) Committee. Ms. Newton stated that ERCOT should send the Public Utility Commission (Commission) a response letter addressing these issues, subject to Board approval.

### (1) Separation of TAC

Mr. Helton noted the study recommendation that communication between Market Participants and ERCOT Staff be conducted through formal pleadings. Mr. Kahn, Mr. Helton, Mr. Armentrout, and Ms. Newton agreed that the current communication process was effective and any such changes would be ill-advised. Mr. Ballard noted that some parties may not be able to attend all of the TAC and other subcommittee meetings held at ERCOT. The Committee agreed that the current communication process should not be changed.

### (2) Creation of an Executive Committee

Mr. Kahn noted his concern that a large amount of Market Participants will be interested in participating on the Executive Committee. Ms. Newton added that the Executive Committee would not function like a traditional Executive Committee because of ERCOT's hybrid board structure.

### (3) Separation of the F&A Committee

Ms. Newton noted that the expertise needed for the finance and audit functions would be difficult to separate due to ERCOT's hybrid board structure. Mr. Ballard stated that he favored separating the F&A Committee because there should be a clear delineation between the finance function and audit oversight.

Mr. Kahn stated the ERCOT Executive Committee has reviewed all of the study's recommendations and will be discussing them at the September Board Meeting. Mr. Kahn added that the Executive Committee solicited ideas from TAC on some of the study's recommendations, including how to improve ERCOT's website. Mr. Armentrout suggested that ERCOT's website should have a place where interested parties can make suggestions for improving the website.

### Ethics Agreement for ERCOT Employees Providing TRE Support

The Committee discussed the proposed ERCOT employee ethics agreement for employees that work under the shared service agreement with the Texas Regional Entity (TRE). Ms. Newton and Mr. Armentrout suggested there should be one standard agreement that includes an addendum or an additional paragraph to address that situation. Mr. Grable stated his preference for the latter approach and that he would revise the agreement accordingly for review at the September Committee meeting.

### ERCOT/TRE Unaffiliated Director Compensation Committee

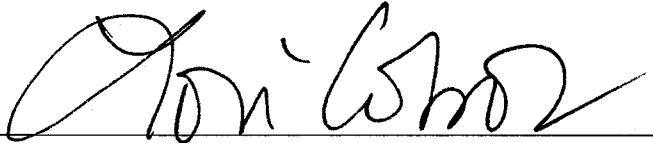
Mr. Dalton reported that the ERCOT/TRE Unaffiliated Director Compensation Committee had created a list of talking points to present to the Board and was making progress on developing recommendations for the Board.

Other Business

Mr. Armentrout stated that he wanted budgeted employee and contract employee head counts reflected on the ERCOT organizational chart.

No other business was raised.

**The meeting adjourned at 9:41 a.m.**

A handwritten signature in black ink, appearing to read "Lori Cobos", written over a horizontal line.

Lori Cobos  
Associate Corporate Counsel