

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

7620 Metro Center Drive, Austin, Texas 78704

April 22, 2009

Committee Members Present

Mark Armentrout (Chair)
Bob Helton
Nick Fehrenbach

Jan Newton
Andrew Dalton
A. D. Patton

Board Members Present

Barry Smitherman

ERCOT Staff

Bob Kahn
Theresa Gage
Kent Saathoff
Dan Woodfin

Nancy Capezzuti
Susan Westbrook
Misty Hancock

Guests

Larry Grimm – Texas Regional Entity
Susan Vincent – Texas Regional Entity

Call to Order

Mr. Armentrout called the meeting to order at 9:02 a.m. and immediately adjourned to Executive Session.

The open session was re-convened at 9:34 a.m.

Minutes

Ms. Newton moved for approval of the March 17, 2009, open session minutes. Mr. Helton seconded the motion. The minutes were approved by unanimous voice vote.

External Relations Update

Members briefly discussed the status of House Bill 3245 and how it might impact the separation of the Texas Regional Entity (Texas RE) as well as composition of the ERCOT Board. Mr. Helton suggested that the effective date for changes in ERCOT Board membership and potential Texas RE Board membership should be December, 2010, giving adequate time to conduct a proper search for independent Board members. Commissioner Smitherman noted that legislators may desire earlier implementation to make sure the new Board members are seated well in advance of the PUCT’s sunset review.

Results of Employee Engagement Survey

Ms Capezzuti briefly summarized the results of the Employee Engagement Survey, noting that dissatisfaction of a single worker will carry great weight if the work group is small. She noted that these survey results will provide a more meaningful benchmark for future surveys than the third party benchmark used in the 2008 survey. The survey results revealed nothing unexpected,

but show that ERCOT needs to continue working on commitment and retention issues. Mr. Armentrout requested that this topic be placed on the agenda for the May meeting to allow more time for discussion.

Merit Increase Evaluation Guidelines

Ms. Capezzuti noted that the merit increase evaluation guidelines included in the Board packet were informational, and that the 2009 merit cycle had been completed.

TRE Governance Restructure

Misty Hancock presented information about the potential budget impact of separating the Texas RE from ERCOT. She noted that the Texas RE currently reimburses ERCOT about \$667,724 annually for administrative services, and that such cost would have to be absorbed in ERCOT's base budget upon separation. She also reminded members that the Texas RE performs nonstatutory ISO functions for ERCOT at an annual cost about \$800,000.

Mr. Armentrout reported that the Texas RE Advisory Committee is satisfied with the progress of the separation proposal evaluation. In addition to Board action, separation would require approval by the Public Utility Commission as well as NERC and FERC approval of a new delegation agreement with the severed entity. He requested that ERCOT staff present to the Committee a plan demonstrating how ERCOT would perform the non-NERC compliance functions, if that ends up being the Board's recommendation. Currently, in the separation plan Mr. Grimm has developed, the non-NERC compliance functions would remain with the Texas RE. Mr. Dalton expressed concerns about having the non-NERC compliance functions remain with the RE if Board ultimately elects to pursue the separation proposal.

Study Horsepower

Mr. Saathoff reported there are now 38 approved positions in ERCOT System Planning with 5 positions vacant. Although there are difficulties filling senior level positions, he believes that this staffing is adequate. He noted that a list of studies in the pipeline had been presented to the Reliability & Operations Subcommittee (ROS), and ROS didn't suggest anything additional to be done.

Engineering Studies Cost Analysis

Mr. Woodfin reported that ERCOT's cost of performing an interconnect study typically ranges from \$9,000 to \$25,000, while ERCOT charges \$1,000 to \$5,000. The Committee advised Mr. Saathoff to ensure that a realistic cost for performing studies is included in future fee filings, and that in the future, interconnection study fees should be established at a level to ensure that ERCOT is recovering its actual costs in performing these studies.

Other Business

The meeting was adjourned at 10:00 a.m.

Future agenda items:

May

KPI quarterly report

TML website enhancement & market survey update

Employee engagement survey

June

Review executive compensation and benefit programs

Review bylaws and consider revisions

Performance and retention bonus proposal

July

Review head-count staffing levels

Review employees' and directors' ethics agreements

Report on technical career paths

August

Review external relations communication plan

KPI quarterly report

September

Discuss succession planning for unaffiliated Board members

Discuss compensation for unaffiliated Board members

Report on trial of flextime and telecommuting corporate standard

October

Consult with CEO about senior management succession planning

November

Review and approve goals and objectives for 2010

December

Review external communications plan

January

Elect committee chair and vice-chair

Review committee charter

Evaluate CEO performance against goals and objectives

Distribute committee self-evaluation survey

Poll members regarding membership in NACD

Review 2009 KPIs

February

Review committee self-evaluation survey

Review head-count staffing levels

Review proposed 2010 calendar

Market Participant survey update

March

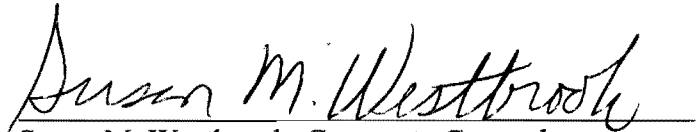
Review and approve compensation plan for officers for implementation in April

Review and approve contractual employment arrangements

Consult with CEO about senior management succession planning

April

Consider Board training needs to enhance effectiveness


Susan M. Westbrook, Corporate Counsel