



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

7620 Metro Center Drive, Austin, Texas 78704
June 16, 2009

Committee Members Present

Mark Armentrout (Chair)
Andrew Dalton (Vice Chair)
Jan Newton
Bob Helton
Nick Fehrenbach
A.D. Patton

ERCOT Staff

Bob Kahn
Nancy Capezzuti
Theresa Gage
Lori Cobos
Lea Ann Porter
Dorinda Maier

Other Board Members

Don Ballard
Jean Ryall

Others

Mark Dreyfus
Mark Bruce
Kristy Ashley
Randy Jones

Call to Order

Mark Armentrout, Committee Chair, called the meeting to order at 9:01 a.m.

Adjourn to Executive Session

Mr. Armentrout adjourned the meeting to Executive Session at 9:01 a.m. Open session was reconvened at 9:14 a.m.

Minutes

Andrew Dalton, Committee Vice Chair, moved for approval of the May 20, 2009 Open Session minutes. Jan Newton seconded the motion. Nick Fehrenbach abstained. The minutes were approved by unanimous voice vote.

Summary of Employee Benefits

Lea Anne Porter, ERCOT Director of Compensation and Benefits, provided the Committee with an annual benefits update, noting that there were not too many changes and ERCOT's benefits



continue to be very competitive with other Independent System Operators (ISOs) and utilities. Although the stock market has taken a toll on the 401(k) Plan, Ms. Porter noted that the plan has done better than other plans – 86% of employees are deferring an average of 7%. Ms. Porter stated that the ROTH and self-directed accounts have been added at the request of employees and at no additional cost to ERCOT. Ms. Porter further stated that the health insurance plans will remain basically the same although employee premiums and cost have increased. She mentioned that employees requested an increase in the amount of tuition reimbursement, but it was not provided this year due to the tight budget. Ms. Porter also informed the Committee that the Internal Revenue Service (IRS) recently issued a no-findings audit on the ERCOT 401(k) plan.

Mr. Armentrout requested a comprehensive benchmark study of all ERCOT benefits in the Fourth quarter of 2010 to allow changes to be made in 2011. Mr. Armentrout added that the Committee needs to decide if ERCOT's benefits should be comparable to the other ISO's benefits or with other companies that ERCOT competes with for talented employees. Ms. Newton requested that the study include a cost trend for all benefits. Nancy Capezzuti, ERCOT Vice President and Chief Administrative Officer, noted that ERCOT is in the process of comparing its total compensation structure with the other ISOs and conducting a joint study with the other ISOs that will probably be completed by the end of this year. Mr. Fehrenbach requested that ERCOT look at only allowing 3-day weekends, instead of 4-day weekends, during the holidays to help with credit exposure.

Proposed Amendments to Bylaws

Mr. Armentrout noted that this was the first time that the Committee will be considering amendments to the ERCOT bylaws and that it would be a standing item each month until the amendments are approved by the Board in December.

Don Ballard opened the discussion by stating that ERCOT Bylaw 4.6 should be amended to address free internet broadcasting of ERCOT meetings that will be required by recently passed legislation. Barry Smitherman, Chairman of the Public Utility Commission of Texas (the Commission), noted that the Commission will be opening a rulemaking proceeding to implement the new statute, including determining what ERCOT meetings will be subject to free internet broadcasting, and the Committee should wait until those issues are resolved by the Commission before making any amendments.

Mr. Ballard also noted that the proposed language in ERCOT Bylaw 5.1(e) is problematic for the representative appointed by the Public Counsel and that the proposed language will forestall smaller groups from getting adequate representation. Ms. Newton expressed a desire to consider whether there should be a requirement that the Technical Advisory Committee (TAC) Chair and Vice Chair should be an employee of a market participant rather than a consultant for a market participant. Ms. Newton stated that her concern was whether a consultant could potentially have other clients that could pose an issue. Bob Helton added that he was also concerned with the proposed language as TAC membership should be from all market segments to enable nonpartisan representation and not too many people can fulfill the role.

Mr. Fehrenbach stated that he proposed language for ERCOT Bylaw 10.1(b) that would allow Unaffiliated Directors and Consumer Directors to get reimbursed for expenses associated with



attending Board meetings. With regard to the proposed change in ERCOT Bylaw Section 4.3 Mr. Fehrenbach noted that he had discussed the definition of “Market Participant” with ERCOT Legal, because there is some ambiguity in the qualification requirements for an Independent Director. Mr. Fehrenbach stated that he proposed language to ERCOT Bylaw 5.1 that would reduce the number of TAC members for each market segment from eight to four members. Mr. Helton noted that the members had elected to not change this language and re-emphasized the importance of TAC’s advisory and consensus-building role.

TRE Memorandum of Understanding

Ms. Capezzuti informed the Committee that the Texas Regional Entity (TRE) memorandum of understanding shows how ERCOT would be able to assist in the separation with the TRE and that it has been discussed with the TRE Committee and Board and coordinated with the TRE Compliance Director, Susan Vincent.

TAC Governance Issues

None.

External Relations Update

Theresa Gage, ERCOT Government Relations Manager, informed the Committee that the Commission will be undergoing sunset review and that ERCOT will be providing the Commission with resource information, as needed, during its sunset review. Chairman Smitherman noted that he will be meeting with Mr. Kahn to discuss the sunset review process. Ms. Gage added that a special legislative session is anticipated in July.

Other Business

None.

The meeting adjourned at 10:03 a.m.

The next regularly scheduled meeting of the Committee will be held on August 18, 2009.

Future Agenda Items

July

Review head-count staffing levels

Review ERCOT Employee and ERCOT Director Ethics Agreements

Proposed Amendments to Bylaws

External Relations Update

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

May

No Standing Items

Lori Cobos
Associate Corporate Counsel