



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

Electric Reliability Council of Texas, Inc. (ERCOT)
7620 Metro Center Drive, Room 168
Austin, Texas 78744
November 17, 2009

Committee Members Present

Mark Armentrout (Chair)
Nick Fehrenbach
Bob Helton

Jan Newton
A.D. Patton
Andrew Dalton

ERCOT Staff

Mike Grable
Lori Cobos
Dale Goodman

Nancy Capezzuti
Theresa Gage
Lea Anne Porter

Call to Order

Mr. Armentrout opened the meeting at 8:05 a.m.

Executive Session

Mr. Armentrout adjourned into Executive Session at 8:05 a.m.
The meeting emerged from Executive Session at 8:13 a.m.

Minutes

Ms. Newton moved for approval of the October 20, 2009 open session minutes and Mr. Fehrenbach seconded. The minutes were approved by unanimous voice vote.

Recommendations Regarding Proposed Revisions to Bylaws

Mr. Fehrenbach suggested changes to Article 10, Section 10.1(b) (Member Representatives' Expenses and Compensation of Certain Directors and TAC Representatives), allowing reimbursement for travel expenses related to Board meetings for Consumer Directors and making reimbursement for travel expenses related to Board meetings mandatory for Independent Directors. Ms. Newton disagreed with Mr. Fehrenbach's proposed changes from a policy perspective and for consistency purposes, as all Board members, except Independent Directors, are responsible for their travel expenses relating to Board meetings and Board members with interests in the market should pay for their travel expenses related to Board Meetings. Mr. Armentrout clarified that Consumer Directors will continue to be reimbursed for training-related expenses. **Ms. Newton made a motion to continue to limit reimbursement for travel**



expenses to Independent Directors. Mr. Helton seconded the motion. The motion passed by a four to one vote with Mr. Fehrenbach abstaining.

Ms. Newton suggested that Article 4, Section 4.3(b)(2)(ii)b (Selection of Unaffiliated Director) should be amended to avoid prohibiting a former employee of a North American Electric Reliability Corporation (NERC) Registered Entity outside of the ERCOT Region from serving as an Unaffiliated Director. Mr. Armentrout recommended that the language “operating in the ERCOT Region” be added to the end of the subsection.

Mr. Fehrenbach asked if the language “director of same subsection” in Article 5, Section 5.1(i) (TAC Representatives) was referring to a Director for a small commercial consumer or other consumer. Mr. Grable responded that it was referring to a small commercial consumer and that the word “same” should be replaced with “small commercial consumer.”

Mr. Patton noted that he discussed several non-substantive changes with Mr. Grable. Mr. Grable stated that he agreed with most of Mr. Patton’s non-substantive, clean-up changes, but that some of the changes were unnecessary.

Mr. Patton made a motion to recommend the Committee’s proposed changes to the Board. Mr. Dalton seconded the motion. The motion was approved by unanimous voice vote.

Selection of Committee Chair for December 15, 2009 Meeting

Mr. Helton moved to allow Mr. Armentrout to serve as Committee Chair at next month’s Committee meeting and Ms. Newton seconded the motion. The motion was approved by unanimous voice vote.

Ratification of CEO Search Subcommittee

As requested by Ms. Newton, the Committee deferred the ratification of the Chief Executive Officer (CEO) Search Subcommittee until next month’s Committee meeting.

Technical Track & Career Ladder Update

Ms. Porter provided the Committee with a follow-up discussion of the new employee technical track. Ms. Newton asked Ms. Porter how many employees were in each track and Ms. Porter responded that the largest amount of employees were in the “P” (Professional Individual Contributor) classification, totaling approximately 200 employees.

Mr. Armentrout noted that the “P5” classification was the only new job classification added to the tracks. Ms. Porter stated that a “P5” employee must be an expert approved by the executive team and less than ten employees met the criteria. Ms. Capezzuti added that “P5” employees have traditionally been technical experts that do not want to be managers, but continue to contribute to the organization at a higher level than most employees. Mr. Armentrout suggested that the criteria for “P5” employees should be changed to require that such employees be recognized outside of ERCOT, Inc. as experts by the industry.



Ms. Porter concluded the discussion by noting that Human Resources staff will be meeting with employee groups as requested by managers, “lunch and learns” will be scheduled with employees, the technical track has been announced on the eWire, and there has been overall positive feedback from employee and managers about the technical track. Mr. Armentrout suggested that career counseling and evaluation advice also be provided to employees.

Update on Market Participant Survey

Mr. Goodman reported that nine out of twelve action items on the Market Participant survey have been closed, with the remaining three action items close to being completed. Mr. Goodman stated that some action items will need some additional work after the Nodal blackout. Mr. Goodman also noted that the Market Participant survey was eliminated during the development of the 2010 budget.

Ms. Newton stated that while the Market Participant survey is an important tool, next year will be a critical year with Nodal testing. Ms. Newton recommended that the issue of having a Market Participant survey should be revisited in 2011. Mr. Goodman noted that the survey requires very specific analysis that cannot be conducted internally, but that internal survey tools could be used to focus on the twelve action items.

External Relation Update

Ms. Gage provided the Committee with an external relations update, noting that a full Sunset legislative committee had been appointed by both the Senate and House, and that the first hearing would be held today to announce the agencies undergoing Sunset Review and introduce the members of the Sunset Committee. Ms. Gage noted that Sunset Staff had been complimentary about ERCOT’s openness and transparency. Ms. Gage is putting together a list of changes that have been made since the fraudulent activities that have improved controls at ERCOT. Mr. Armentrout suggested that Ms. Gage include the fact that all of the action items in the resulting audits have been closed, and Ms. Newton suggested that the fact that ERCOT had the employees prosecuted to full extent should also be included in the list.

Mr. Helton recommended that the Sunset Staff should be informed about the benefits of Nodal. Ms. Newton agreed that it is critical to inform the Sunset Staff of the benefits of Nodal and that it should also be noted that the implementation of Nodal was the Commission’s decision. Ms. Gage noted that “Energy Thursdays” are being held at the capitol with Sunset Staff in attendance and that Nodal will be a discussion topic at next Thursday’s meeting. Mr. Armentrout suggested that Sunset Staff should take a tour of a power plant and Mr. Grable responded that they have offered a tour of a local Austin Energy generation plant and a nuclear generation plant. Ms. Gage stated that she has been taking Interim President and CEO, Trip Doggett, to meet members of the legislature.

Mr. Helton added that Market Participants are willing to help inform Sunset Staff about different areas of the electric utility industry. Ms. Gage noted that a public meeting would be held in April with a comment period and that she provided the Sunset Staff with the names of thirty to forty Market Participants whom they could contact with questions.



Membership Affiliates Update

Mr. Grable highlighted the increasing amount of affiliations by ERCOT members and stated that he has asked ERCOT Legal to be cognizant of the issue with the filing of new membership forms. Mr. Grable, however, noted that ERCOT Legal relies on members to self-identify affiliations as affiliations are not always apparent to the reviewing Legal staff.

Other Business

No other business was raised.

The meeting adjourned at 9:34 a.m.

Lori Cobos, Associate Corporate Counsel