



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

7620 Metro Center Drive, Room 168  
Austin, Texas 78704  
December 15, 2009

**Committee Members Present**

Mark Armentrout (Chair)  
Nick Fehrenbach  
Bob Helton

Jan Newton  
A.D. Patton  
Andrew Dalton (Vice Chair)

**ERCOT Staff**

Nancy Capezzuti  
Theresa Gage  
Susan Westbrook

**Call to Order**

Mr. Armentrout opened the meeting at 8:34 a.m. and immediately adjourned to Executive Session.

**Executive Session**

The meeting emerged from Executive Session at 8:52 a.m.

**Minutes**

**Mr. Helton moved for approval of the November 17, 2009 minutes. Mr. Dalton seconded the motion. The minutes were approved by unanimous voice vote.**

**External Relation Update**

Ms. Gage reported that ERCOT staff has continued meetings with Sunset Commission staff. In January, Interim President and Chief Executive Officer, Trip Doggett will meet with the Sunset staff in Taylor and take them on a tour of the operations center.

Ms. Gage noted that following the Board's decision on PRR 830, wind companies have been sending lobbyists to the legislature to assert that PRR 830 is not needed for reliability purposes. As a result, she has received inquiries from legislators and staff who are trying to understand both sides of the issue. Ms. Gage indicated that the lobbyists would likely participate in the Sunset Commission hearings.

Ms. Gage reported that ERCOT had responded to the U.S. House Agriculture Committee request for information regarding Financial Transmission Rights. She noted that HR 3795 was voted out of the U.S. House Committee on Energy & Commerce last week, but would not be ripe for action in the U.S. Senate before mid-January.

**Review and Approve Goals and Objectives for 2010**

Ms. Capezzuti directed attention to the first page of the 2010 Key Performance Indicator (KPI) Matrix and noted that the proposed 2010 goals focused on five areas. The Nodal Project,



Operations, and Compliance goals were each weighted at 25%, while the Corporate Support and Projects goals were weighted and 15% and 10% respectively.

The members discussed whether the goals for KPI 3 appropriately recognize the potentially significant financial impact of a single compliance violation. Ms. Capezzuti agreed to request that Mr. Doggett or Chuck Manning (Chief Compliance Officer) address this issue at the January meeting.

Members then considered the goals for KPI 4, including the possibility of revising the suggested weighting to move emphasis from the 2011 budget to the 2010 budget. Ms. Capezzuti explained that six of the seven goals were so heavily intertwined that weighting them individually would be difficult. After further discussion the members agreed to the proposed weighting.

Ms. Newton inquired whether there had been any consideration of the advanced metering project or Competitive Renewable Energy Zones (CREZ) in drafting Goal 5.4. Ms. Capezzuti responded that the goals were focused on the higher cost projects during 2010, and that the advanced metering project would not be a large project for next year. CREZ was not included in that group. Mr. Helton suggested that wind issues, such as CREZ, be addressed under KPI 2 rather than KPI 5.

Mr. Dalton questioned the continuing need for Key Performance Indicators, as they had originally been tied to bonus calculations but did not seem to function in the same way now. Mr. Armentrout noted that ERCOT still has a bonus program for the President and CEO and that management by objectives helps keep performance vertically aligned in the organization. Ms. Capezzuti explained that the KPIs are pushed down through the entire organization and used in creating individual performance goals so each employee understands his/her contribution to the success of the organization.

Mr. Dalton asked whether the rollout of advanced metering would create a new performance metric under KPI 2. Mr. Armentrout noted that the goals for KPI 2 have been negotiated with the Technical Advisory Committee (TAC) and Commercial Operations Subcommittee (COPS), and are tied to market expectations and service level agreements. Ms. Capezzuti noted that priorities and success criteria for the KPIs can change during the year, adding if a change to the goals is deemed desirable, ERCOT staff will seek approval of the Committee.

#### Ratification of Delegation of Authority

Ms. Capezzuti noted that the Board had previously delegated authority to the Benefits Committee to administer the ERCOT 401(k) plan, and that the current request clarifies the previous delegation to cover employee health/welfare plans. She noted that the Benefits Committee had actually been responsible for administration of such plans, but that the delegation of authority had not been adequately documented. **Dr. Patton moved to recommend that the Board approve the requested ratification and delegation of authority. Mr. Helton seconded the motion. The motion was approved by unanimous voice vote.**

#### Ratification of CEO Search Committee

Ms. Newton reported that composition and authority of the CEO Search Committee had been ratified at the Nominating Committee meeting on December 14, 2009.



#### Other Business

Members discussed the need to schedule the annual Strategic Planning meeting normally held in February. Ms. Newton recommended that for 2010, the meeting focus on the strategic initiatives rather than the Nodal project. Mr. Armentrout noted that this meeting would provide a good opportunity to educate new Board members about their legal and fiduciary responsibilities to ERCOT. Ms. Newton asked Mr. Armentrout to address the Board about the need to have a Board strategic planning meeting for 2010.

Mr. Armentrout reported that he had requested that Charles Jenkins review the current TAC proposal for the IBM contract for outsourced hosting of the advanced metering database. He expressed his concern that the proposed rotation of contract management responsibility among various retail Market Participants could create confusion, and Mr. Jenkins agreed. Ms. Newton noted that this topic would be discussed at the Board meeting.

**The meeting adjourned at 9:44 a.m.**

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Susan M. Westbrook, Corporate Counsel