



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

7620 Metro Center Drive, Room 168
Austin, Texas 78704
February 16, 2010

Committee Members Present

Andrew Dalton
Sheri Givens
Robert Helton
Jan Newton
A. D. Patton
Jean Ryall

ERCOT Staff

Kent Saathoff, Vice President – Planning and Operations
Dan Woodfin, Director – System Planning
Theresa Gage, Manager – Government Relations
Susan Westbrook – Corporate Counsel

Call to Order

Mr. Dalton opened the meeting at 8:33 a.m.

Executive Session

Mr. Dalton adjourned to Executive Session at 8:33 a.m. The meeting emerged from Executive Session at 8:59 a.m.

Minutes

Ms. Newton moved for approval of the January 19, 2010 meeting minutes. Dr. Patton seconded the motion. The minutes were approved by unanimous voice vote.

External Relations Update

Ms. Gage reported that ERCOT staff have continued to provide information to the Sunset Advisory Commission staff, with recent reviews including ERCOT's procurement and contract administration processes, demand response practices, and use of debt financing. She added that ERCOT officers have continued their outreach efforts to the Sunset Advisory Commission members, including Sen. Nichols, Sen. Huffman, and Sen. Whitmire's staff. In response to an inquiry from Dr. Patton, Ms. Gage indicated that the Sunset Advisory Commission members were highly interested in policy issues, such as integration of wind energy, in addition to corporate governance issues, and she expects the Commission to issue its report by the end of March.

Ms. Gage noted that the U.S. Commodities and Futures Trading Commission ("CFTC") rules for derivatives are still under discussion in Congress as part of a proposed financial regulations bill.



She reported that ERCOT has been assisting Market Participants to craft messages to Congress regarding the proposed CFTC rules. She reported that Vice President and General Counsel Mike Grable will be in Washington D.C. next week and plans to meet with members of the Texas congressional delegation.

Results of Committee Self-Evaluation Survey

Ms. Westbrook briefly reviewed the consolidated results of the Committee's self-evaluation survey. Mr. Dalton pointed out that comments to Question 18 indicated some concern with the Committee's self evaluation process and discussed the appropriate level of reporting the results to the Board. Mr. Dalton also noted the responses to Item 19 and expressed his belief that Committee has used ad hoc workgroups adequately.

Mr. Dalton noted that only three Committee members had participated in the survey and invited the others to complete the survey and return it to Ms. Westbrook.

Review of Proposed changes to Committee Charter and Recommendation to Board for Adoption

Mr. Dalton invited discussion of the proposed changes to the Committee charter. Dr. Patton pointed out an apparent discrepancy between the revised language of Item 1 under "Purpose", which describes the Committee's role in compensation decisions as an advisory role, and the fourth paragraph under "Membership", which indicates that the Committee has primary responsibility for the Board regarding all aspects of executive compensation. Members discussed whether such paragraph should be relocated to the "Purposes" section and whether it is appropriate to describe the Committee members as "fully independent." Mr. Dalton agreed to consult with Mr. Grable about deleting such phrase.

Dr. Patton requested that the reference to compensation in Item 1 under "Purpose" be revised to include retention programs and severance agreements.

Mr. Dalton agreed to submit a final draft for the Committee's consideration at the March meeting.

Key Performance Indicators (KPIs): Review of 2009 and Approval of 2010

Mr. Saathoff and Mr. Woodfin discussed ERCOT's failure to meet 2009 KPI 1.1 by failing to timely complete 90% percent of required RPG studies. Mr. Woodfin noted that the required studies were completed, but additional time was required to resolve all of the issues for some of the more complex projects, particularly those projects for which the economic criteria required additional consideration. Mr. Woodfin reported that ERCOT staff is working with stakeholders to create a defined process for revising or refining economic criteria, and plan to make recommendations to the Board regarding this process this summer.

Committee members discussed the historical use of the KPIs as a tool for determining bonus compensation, noting that they have been more recently used as a proxy for a strategic plan. The members also discussed the need to structure KPIs to support ERCOT's strategic plan and to drive a culture of compliance. Members also discussed whether a grading system should be used rather than the current pass/fail measurement, and agreed to continue the discussion at the March meeting.



Update on Pricing of National Association of Corporate Directors (NACD) Membership

Ms. Westbrook reported that the cost of NACD membership is \$550 per member, and that current ERCOT memberships expire at the end of May. Mr. Dalton indicated that some Board members might want to join at their own expense by reimbursing ERCOT for the fee. Ms. Westbrook agreed to provide cost information to all Board members and report the level of participation to the Committee at the March meeting.

Other Business

Dr. Patton indicated his desire to discuss ERCOT's policies and practices pertaining to executive severance pay at the March meeting. Ms. Westbrook agreed to provide summary information about the severance packages granted by ERCOT during the previous several years.

The meeting adjourned at 9:52 a.m.

Susan M. Westbrook, Corporate Counsel