



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

Electric Reliability Council of Texas, Inc.  
7620 Metro Center Drive, Room 168  
Austin, Texas 78744  
August 17, 2010

**Meeting Attendance:**

**Committee Members:**

Laura Doll	Unaffiliated
Michehl Gent	Unaffiliated
Bob Helton	International Power America Services
A.D. Patton – Vice Chairman	Unaffiliated
Jean Ryall	Constellation Energy

**Alternates:**

Danny Bivens (for Sheri Givens)	Office of Public Utility Counsel
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**ERCOT Staff:**

Paula Feuerbacher	Manager, Strategic/Organizational Development
Theresa Gage	Manager, Government Relations
Kristi Hobbs	Manager, Market Rules
Bruno Ierullo	Director, Human Resources
Bill Magness	Interim Vice President & General Counsel
Chad Seely	Senior Corporate Counsel
Susan Westbrook	Senior Corporate Counsel

**Guests:**

Kenneth Anderson	Commissioner, Public Utility Commission of Texas
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**Call to Order (Agenda Item 1)**

Dr. A. D. Patton, H.R. & Governance (HR&G) Committee (Committee) Vice Chairman, determined a quorum was present and called the meeting to order at 8:05 a.m.

**Approval of the July 20, 2010 Committee Meeting Minutes (Agenda Item 2)**

**Dr. Patton requested that the July 20, 2010 Committee Meeting Minutes be revised to list Michehl Gent as a Committee member. Laura Doll requested an additional revision to designate her as a guest rather than a Committee member. Bob Helton moved for approval**

**of the July 20, 2010 Committee Meeting Minutes as corrected. Ms. Doll seconded the motion. The minutes were approved by unanimous voice vote.**

**External Relations Update (Agenda Item 3)**

Theresa Gage, ERCOT Government Relations Manager, reported that there has been additional clarification of the allocation of responsibilities between the Senate Natural Resources Committee, chaired by Senator Troy Fraser, and the Senate Business and Commerce Committee, chaired by Senator John Carona. She noted that the Senate Natural Resources Committee will be primarily responsible for the creation of a comprehensive statewide energy plan.

Ms. Gage stated that Trip Doggett, ERCOT President and Chief Executive Officer, will testify at a Senate Natural Resources Committee hearing to be held on August 18, 2010 and the Senate Business and Commerce Committee the following week. She pointed out that these committees have many new members who are unfamiliar with ERCOT and that ERCOT staff planned to offer opportunities to learn about ERCOT operations.

**Revolving Door Policies (Agenda Item 4)**

Committee members discussed possible revisions to the ERCOT Amended and Restated Bylaws (Bylaws) to prohibit or limit the employment of ERCOT Board members or members and staff of the Public Utility Commission of Texas (PUCT). Kenneth Anderson, PUCT Commissioner, advised against adoption of a broad revolving door policy. He noted ERCOT's operations require very specialized knowledge available from a limited pool of talent, and it would not serve ERCOT well to limit its access to that pool. The members agreed that such a revision is unnecessary at this time.

**Proposal for Board Approval of Revision Requests and Other Binding Documents (Agenda Item 5)**

Committee Members discussed the voting statistics on Market Guide revisions prepared by Kristi Hobbs, ERCOT Manager of Market Rules, who pointed out that that 94% of the revisions were approved unanimously at the Technical Advisory Committee (TAC) or its subcommittees. She reported that she had conferred with Andrew Dalton, HR&G Committee Chairman, who voiced concern that revisions approved at the TAC level and lower might have policy implications that should be brought to the Board's attention.

Committee members requested that ERCOT staff provide information about the reasons for abstention and opposition for those revisions that were approved at the TAC or subcommittee level with a less-than-unanimous vote. Mr. Helton noted that Market Participant representatives are not always willing to share their reasons for opposition or abstention.

Commissioner Anderson stated that he was concerned that current processes allow decisions that might affect policy to be made without Board input or approval. He cited the 2008 instance of "shadow pricing" changes. He indicated that ERCOT staff should be bringing such matters to the Board's attention prior to any definitive vote.

Committee members discussed the possibility of reviving the practice of having a Question and Answer (Q&A) Session prior to the regular Board meetings and having ERCOT staff report on

any pending rule or procedure revisions that might impact the market. Commissioner Anderson noted that such sessions would have to be posted as a PUCT meeting to allow more than one Commissioner to attend. Bill Magness, ERCOT Interim Vice President and General Counsel, agreed to consult Mr. Doggett and Mike Cleary, ERCOT Chief Operating Officer, to see if they have staff resources available to prepare the Q&A sessions. He also noted that the Q&A sessions would have to be broadcast, incurring additional expenses. Commissioner Anderson excused himself from the meeting at this time.

**Recommendation Regarding Ratification of 2009 Unaffiliated Directors' Compensation (Agenda Item 6)**

Mr. Magness provided a brief overview of how ERCOT discovered that Unaffiliated Directors had been overcompensated during 2009, brought the matter to the Committee's attention, and adopted procedures to ensure that the error is not repeated. He noted that this item had been on the Committee's open meeting agenda in May, June, July and August, and that the Finance and Audit Committee had been informed of the overpayments during its July Executive Session review of internal audit reports.

Committee members discussed the fact that there has been a significant increase in the number of Board and Committee meetings since the compensation cap was adopted in 2008, but agreed ratification of the overpayments would not be appropriate.

Committee members then discussed the need to reevaluate Director compensation and the need for an updated third-party survey.

**Mr. Helton moved to reconstitute the Director Compensation Subcommittee comprised of those Committee members associated with Market Participants. Danny Bivens seconded the motion. The motion passed by unanimous voice vote.**

Mr. Magness agreed to have ERCOT staff provide detailed accounts of the 2009 fee payments to the Unaffiliated Directors, reconcile any errors, then report back to the Committee at the September meeting.

**Approval of Changes to ERCOT's Code of Conduct (Agenda Item 7)**

Susan Westbrook, ERCOT Senior Corporate Counsel, explained that the proposed revisions to the ERCOT Code of Conduct were not substantive and were primarily intended to remove references to the Texas Regional Entity (now Texas Reliability Entity). She also pointed out that the Employee Ethics Agreement had been revised to include a reminder to report any arrests during the previous 12 months.

**Mr. Gent moved for approval of the noted revisions to the ERCOT Code of Conduct. Mr. Helton seconded the motion. The motion was approved by unanimous voice vote.**

**Second Quarter 2010 Key Performance Indicators (KPIs) (Agenda Item 8)**

Paula Feuerbacher, ERCOT Manager of Strategic and Organizational Development, reported that ERCOT was on target for achievement of all but one KPI during the second quarter, and that the Projects goal was trending negative due to vendor problems and reprioritization of market facing

projects. She also noted that ERCOT achieved 98.68% availability of retail systems during business hours, while the service level goal is 99.9%, but performance against this goal had improved since the first quarter.

Mr. Feuerbacher pointed out that Goal 4.3 and Goal 4.4 had been restored to the Corporate Support KPI in response to the Board's request. She noted that a preliminary organization chart had been presented to the Board, and a proposed final chart will be submitted in conjunction with the 2011 budget.

Ms. Feuerbacher also explained that ERCOT staff had completed all the tasks needed to complete Goal 5.3, but that funding for the Data Center Project had not been formally approved through the PPL process. The Committee members noted that the Board had already approved the funding, and agreed that the KPI matrix should reflect that Goal 5.3 had been completed.

Ms. Feuerbacher indicated that she plans to improve the KPI reporting matrix to show trends by quarter along with the year-to-date status.

#### **External Communications Plan (Agenda Item 9)**

Deferred to the September Committee meeting.

#### **Convene to Executive Session**

Dr. Patton adjourned the meeting to Executive Session at 9:27 a.m.

### **Future Agenda Items**

#### **September**

- Independent Board member succession planning
- Compensation for Unaffiliated Board members
- *Update on Recruitment of Key Executives*
- *Succession Planning*
- *Possibility of Reviving Q&A Sessions*
- *Additional Benefit Plan*
- *External Communications Plan*

#### **October**

- Monitor external relations issues
- *Update on Recruitment of Key Executives*
- *Succession Plan*

#### **November**

- Senior management succession planning
- *Update on Recruitment of Key Executives*

#### **December**

- Review and approve goals and objectives for following year
- Review external relations communication plan

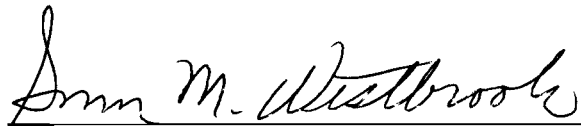
- *Succession planning update*

**January**

- Elect Committee Chair
- Review Committee charter
- Evaluate CEO performance against goals and objectives
- Distribute committee self-evaluation survey
- Poll Directors regarding interest in accessing National Association of Corporate Directors (NACD) resources
- Monitor external relations issues

**February**

- Review committee self-evaluation survey
- Monitor external relations issues
- ERCOT Study “Horsepower”



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Susan M. Westbrook

Senior Corporate Counsel