



**DRAFT MEETING MINUTES OF THE
HUMAN RESOURCES & GOVERNANCE (HR&G) COMMITTEE OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive, Room 168
Austin, Texas 78744
September 21, 2010

Meeting Attendance:

Committee Members:

Andrew Dalton (Chairman)	Valero Services, Inc.
Laura Doll	Unaffiliated
Michehl Gent	Unaffiliated
Bob Helton	International Power America Services
A.D. Patton (Vice Chair)	Unaffiliated
Jean Ryall	Constellation Energy
Sherry Givens	Office of Public Utility Counsel

ERCOT Staff:

Theresa Gage	Manager, Government Relations
Bruno Ierullo	Director, Human Resources
Bill Magness	Interim Vice President & General Counsel
Susan Westbrook	Senior Corporate Counsel
Lea Anne Porter	Director, Compensation & Benefits
Mike Cleary	Senior Vice President & Chief Operating Officer
Trip Doggett	President & Chief Executive Officer

Guests:

Laura Rickey	Towers Watson
Amy Deballion	Towers Watson
Alice Stuart	Towers Watson
Bradley Jones	Technical Advisory Committee (TAC) Chair

Call to Order (Agenda Item 1)

On the Chairman's behalf, HR&G Committee (Committee) Vice Chairman, Dr. A. D. Patton called the meeting to order at 8:19 a.m. and determined that a quorum was present.

Approval of the August 17, 2010 Committee Meeting Minutes (Agenda Item 2)

Mr. Helton moved for approval of the August 17, 2010 Committee Meeting open session minutes. Mr. Gent seconded the motion. The minutes were approved by unanimous voice vote.



Review External Relations Plan (Agenda Item 3)

Ms. Gage discussed ERCOT's efforts to address media reports that included misleading information about the cost of the Nodal program. Mr. Magness noted that various articles reported the initial cost of the program as \$125 million. He reported that this number was not the program cost, but the amount initially requested for the nodal surcharge, before requirements had been defined.

Ms. Gage requested that the Committee members review the proposed external relations messages included in the Board packet and provide comments so she could develop the desired messaging before the Legislative session starts. Mr. Helton suggested that she develop messaging for the issues raised in the Sunset Commission report.

Unaffiliated Director Compensation (Agenda Item 4)

Mr. Magness reported on ERCOT staff's implementation of procedures to keep Unaffiliated Directors up-to-date on aggregate compensation and to avoid making payments exceeding the compensation cap. He noted that the Internal Audit Department was reviewing 2009 expense reimbursements for the Unaffiliated Directors, and the results would be reported at the October meeting.

Committee members discussed the current compensation cap and the likelihood that three Unaffiliated Directors would receive the maximum allowable compensation in November. Mr. Helton suggested that the Unaffiliated Director Compensation Subcommittee meet immediately prior to next month's Committee meeting. Ms. Ryall proposed an earlier meeting to craft a Board Resolution for presentation to the Board.

Committee Chairman Andrew Dalton joined the meeting at this time. He noted his recollection of how the compensation cap was calculated in 2008, and indicated he would look into the matter further. Mr. Gent noted that he would continue to attend and perform his duties as Board chair in November and December even if he does not receive compensation beyond the authorized maximum.

Unaffiliated Director Succession Planning (Agenda Item 5)

Mr. Dalton reported that all Unaffiliated Directors except Miguel Espinosa are eligible for additional terms of service, and that Mr. Espinosa's term does not expire until November 2011. He noted that there is no immediate need to start a Director search, but he would like to do so early enough to avoid having any empty Director positions. Dr. Patton suggested that the search focus on an individual who has expertise in information technology.

The Committee members discussed the potential impact of Project No. 38338 Rulemaking Relating to the Accountability and Performance of the Electric Reliability Council of initiated by the Public Utility Commission of Texas (PUCT) and legislative action responding to recommendations of the Sunset Commission. Mr. Magness noted that the first round of public comments are due by October, and that he and Ms. Gage were monitoring the rulemaking proceeding to identify any changes to ERCOT by-laws that might be required in order to comply with PUCT orders.



Briefing on Possible Reimplementation of Board Question and Answer Sessions (Agenda Item 6)

Mr. Magness stated that some Directors had expressed an interest in re-instating the previous practice of holding a question and answer session (Q&A) prior to Board meetings. He noted that the Q&A sessions would be subject to open meetings laws and would require posting and webcasting. He noted the day rate of webcasting is around \$4,000 per day, and that if Q&A sessions were held on Mondays along with special Board meetings, there would be no additional cost.

Ms. Givens joined the meeting at this time.

Members discussed efficient use of ERCOT staff time, and duplications of effort that might result if the same topics discussed in special Board meetings, Q&A sessions, Board Committee meetings, and the regular Board meeting. Ms. Givens also noted that the current practice makes it difficult to follow topics from one meeting to the next in the webcast recordings.

Mr. Cleary joined the meeting at this time.

Committee members then discussed various alternatives to promote efficient and cohesive discussion of matters before the Board and its Committees. Ms. Ryall moved to recommend to the Board that regular Board meetings be scheduled for two consecutive days, with sequential meetings of the Financial and Audit (F&A) Committee and the HR&G Committee on the first day. Members discussed the advantages of this proposal, including providing all Board members the opportunity to attend both Committee meetings and eliminating the need to have Committee reports during the regular Board meeting. Dr. Patton noted that this proposal might create additional compensation issues for Unaffiliated Directors.

Ms. Doll offered a friendly amendment to Ms. Ryall's motion to include in the Board agenda, time for Q&A on matters before the Board, to hold sequential meetings of the F&A Committee and the HR&G Committee on Monday, and to move into the regular Board meeting upon conclusion of the Committee meetings. Ms. Ryall accepted this amendment and Mr. Helton seconded the motion as amended. The motion was approved by unanimous voice vote.

Recommendation to Accept 2009 401(k) Audit Report (Agenda Item 7)

Ms. Porter distributed copies of the Maxwell, Locke and Ritter's report of the 2009 audit of ERCOT's 401(k) plan, noting that the F&A Committee had already voted to recommend its acceptance by the Board. Mr. Gent indicated his intent to defer any Board action until the October meeting because the Board had not had sufficient time to review the report. Ms. Porter explained that the approved audit report showed no issues, and that it must be filed with the DOL Form 5500 no later than October 10, 2010 in order to avoid fines of \$10,000 per day. Ms. Porter noted that the 401(k) audit can be started only after completion of ERCOT's financial audit, leaving a limited amount of time to conduct the 401(k) audit and issue a report, but she would work with the auditors to ensure earlier completion of the report next year.



Committee members discussed the need to avoid duplication of effort resulting from review of the report by both Board Committees

Other Matters

Several Committee Members expressed frustration with tardy delivery of materials supplementing the Board packet, noting that late submissions left little time for review and frequently had confusing changes to page numbering. Mr. Dalton requested that all updates be provided to Board members no later than the weekend before the Board meeting and that page numbers be consistent with prior versions. Mr. Dalton noted that a requirement for timely submission could be added to the Board Policies and Procedures if needed to ensure timely submission of materials. Mr. Doggett acknowledged these problems and indicated that the process would be improved prior to the next regular Board meeting.

Brad Jones, Chair of the Technical Advisory Committee (TAC) reported on TAC activities regarding structural and efficiency reviews. He noted that TAC plans to vote on its recommendations and report them to the Board at its October meeting.

Future Agenda Items

Mr. Magness reported that PUCT Chairman Smitherman had provided a copy of the Internal Revenue Service (IRS) approval of 501(c)(3) status for the Texas Reliability Entity Inc. (TRE), noting that the approval was granted even though TRE's Board of Directors is not completely independent. Mr. Magness indicated that ERCOT staff planned to report its research on a proposed conversion at the January HR&G Committee meeting.

October

- Monitor external relations issues
- *Update on Recruitment of Key Executives*
- *Update on Succession Plan*
- *Unaffiliated Director Compensation discussion*
- *Unaffiliated Director Succession Planning (PUCT project)*
- *Executive Compensation discussion*

November

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

December

- Review and approve CEO performance goals and objectives for following year
- Review External Relations communication plan
- *Succession planning update*

January

- Elect Committee Chair and Vice-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
- Review Proposed 2011 Committee Calendar
- *Report on Proposed Conversion to 501(c)(3) tax status*

February

- Review Committee self-evaluation survey
- Monitor External Relations issues

March

- Review and approve merit adjustments for corporate officers effective April 1st
- Review and approve contractual employment arrangement for CEO
- Monitor External Relations issues

Convene to Executive Session

Mr. Dalton adjourned the meeting to Executive Session at 9:43 a.m.

Susan M. Westbrook
Senior Corporate Counsel