



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

Electric Reliability Council of Texas, Inc.  
7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
October 18, 2010

Pursuant to notice duly given and after determination that a quorum was present, the meeting of the Human Resources and Governance (HR&G) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

**Meeting Attendance:**

**Committee Members:**

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Dalton, Andrew (Chairman)	Valero Services, Inc.	Industrial Consumer
Doll, Laura		Unaffiliated
Gent, Michehl		Unaffiliated
Givens, Sheri	Office of Public Utility Counsel	Residential Consumer
Helton, Bob	International Power America Services	Independent Generator
Patton, A.D. (Vice Chairman)		Unaffiliated
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer (beginning with Agenda Item 4a)

**Guest Board Members:**

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Bermudez, Jorge		Unaffiliated
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility
Doggett, Trip	ERCOT	President and Chief Executive Officer
Dreyfus, Mark	Austin Energy	Municipal (beginning with Agenda Item 4a)
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Karnei, Clifton	Brazos Electric Power Cooperative, Inc.	Cooperative
Smitherman, Barry T.	Public Utility Commission of Texas	Commission Chairman (except for Agenda Items 6 through 8)



Zlotnik, Marcie	StarTex Power	Independent Retail Electric Provider (beginning with Agenda Item 4a)
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**Other Guests:**

Anderson, Kenneth	Commissioner, Public Utility Commission of Texas
Cleary, Mike	ERCOT Senior Vice President and Chief Operating Officer
Day, Betty	ERCOT Director of Commercial Operations
Gage, Theresa	ERCOT Director of External Affairs
Hobbs, Kristi	ERCOT Manager of Market Rules
Ierullo, Bruno	ERCOT Director of Human Resources
Jones, Brad	Luminant (Technical Advisory Committee Chairman)
Leady, Vickie	ERCOT Senior Corporate Counsel and Assistant Corporate Secretary
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary
Manning, Chuck	ERCOT Vice President and Chief Compliance Officer
Morgan, Richard	ERCOT Vice President and Chief Information Officer
Petterson, Mike	ERCOT Controller
Saathoff, Kent	ERCOT Vice President of Grid Operations and System Planning
Walker, Mark	NRG Texas, LLC (Segment Alternate)
Westbrook, Susan	ERCOT Senior Corporate Counsel
Whittle, Brandon	DB Energy Trading, LLC (Segment Alternate)
Wullenjohn, Bill	ERCOT Director of Internal Audit

**Call to Order and Announce Proxies (Agenda Item 1)**

Andrew Dalton, HR&G Committee Chairman, called the Committee meeting to order at approximately 3:47 p.m. He announced that no proxies had been received for the meeting.

**Approval of September 21, 2010 Meeting Minutes (Agenda Item 2)**

**Bob Helton moved for approval of the minutes of the September 21, 2010 Committee meeting as amended. Michehl Gent seconded the motion. The minutes were approved by voice vote with one opposed (A.D. Patton).**

**Review External Relations Plan (Agenda Item 3)**

Theresa Gage, ERCOT Director of External Affairs, provided the External Affairs Update to the Committee members. Ms. Gage solicited comments and suggestions from the Committee members on the one-page summary of proposed Legislative messages. She advised that the summary needed to be finalized by November 2010 in anticipation of Nodal Go-Live. Chairman Dalton requested that Ms. Gage distribute the summary in Word format by email to the Committee members for their comments, which Ms. Gage agreed to do. Mr. Helton inquired whether the summary included messages related to the Sunset Commission review. Ms. Gage replied that she was in the process of reviewing such messages for inclusion in the summary. Mr. Helton thanked her for her communications efforts related to the Nodal market.



Chairman Dalton solicited feedback on a proposed External Affairs subcommittee for expedited feedback to ERCOT staff on Legislative matters, similar to the subcommittee that was created during the prior Legislative Session. Ms. Gage supported the creation of such a subcommittee prior to the start of the Legislative Session. In response to Sheri Givens' question, Chairman Dalton provided a brief history and purpose of the prior subcommittee. Chairman Dalton requested that Committee members contact him prior to the November 2010 Committee meeting if they were interested in serving on such a subcommittee. Mr. Helton and Laura Doll expressed their interest in participating in such a subcommittee. Chairman Dalton noted that the subcommittee would be formalized in the following month. Chairman Dalton inquired whether the subcommittee could include members who did not serve on the HR&G Committee. Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary, responded that he expected that it would be possible. Chairman Dalton requested that Mr. Magness notify him at the November 2010 Committee meeting if he learned of any reasons that it would not be.

**Update on Unaffiliated Director Compensation; and Legal Department Report: 2009 Unaffiliated Director Above-Cap Compensation (Agenda Items 4 and 4a)**

Mr. Magness reviewed the Legal Department Report: 2009 Unaffiliated Director Above-Cap Compensation (Report) with the Committee members.

Barry T. Smitherman, Chairman of the Public Utility Commission of Texas (Commission), clarified that the ERCOT Internal Audit Department's findings in relation to its quarterly review of controls were not sent directly to the Commission Executive Director or the Commissioners, but rather a member of the Commission staff. Mr. Magness replied that the Report was not intended to be misleading.

Miguel Espinosa commented that he supported meetings being called regardless of the impact on the Unaffiliated Directors' cap. Chairman Dalton apologized to the Unaffiliated Directors for any misunderstandings regarding the compensation cap. He also briefly provided his recollection regarding the intent and history of the compensation cap. He advised that the Unaffiliated Director Compensation Subcommittee would not convene until its usual three-year review period, that is, in the fall of 2011, and that the compensation cap would remain in effect until that time.

Clifton Karnei inquired about the appropriate recipient of the ERCOT Internal Audit reports at the Commission. Chairman Smitherman requested that ERCOT staff forward the reports to Ken Gable at the Commission and expand the recipients list to the Commissioners and the Executive Director. Mr. Karnei requested that Bill Wullenjohn, ERCOT Director of Internal Audit, follow up on this matter, which Mr. Wullenjohn agreed to do.

Jorge Bermudez noted his support for flexibility in the compensation cap as it related to the calling of additional meetings.



### **Proposed Revision to Board Policies and Procedures Relating to Reimbursable Expenses for Unaffiliated Directors (Agenda Item 4b)**

Chairman Dalton noted the review of the ERCOT Business Expense Reimbursement Corporate Standard in relation to Unaffiliated Director expense reimbursement and the need to address other expenses specifically related to Unaffiliated Directors' expenses to facilitate service on the ERCOT Board, such as divestiture of stocks or creation of blind trusts. He further noted the opportunity to survey other Independent System Operators, Towers Watson and Mercer on these types of expense reimbursements. In response to Michehl Gent's question, Chairman Dalton announced that the Unaffiliated Directors' overall compensation would be reviewed in the fall of 2011, but that any changes to the Board Policies and Procedures related to the Unaffiliated Directors' expense reimbursement would be addressed at the November 2010 Committee meeting.

### **Unaffiliated Director Succession Planning (Agenda Item 5)**

Chairman Dalton advised that the Committee discussed this matter briefly at its prior meeting and that there was support for identifying Unaffiliated Director candidates with information technology expertise. He announced that this matter would be addressed further at its meeting in January 2011.

### **Recommendation Regarding Technical Advisory Committee (TAC) and TAC Subcommittee Structures (Agenda Item 6)**

Brad Jones, TAC Chairman, presented the TAC 2010 Structural and Procedural Review (TAC Review). Kristi Hobbs, ERCOT Manager of Market Rules, presented ERCOT staff's suggestions regarding the TAC Review. Mr. Jones and Ms. Hobbs responded to the Committee members' questions regarding these matters. Dr. Patton inquired about the potential elimination of the Protocol Revisions Subcommittee (PRS) and the inclusion of its function in TAC. Dr. Patton noted such a change would appear to reduce existing redundancy between TAC and PRS, improve efficiency and reduce lag time in addressing Protocol changes. Mr. Jones provided the background on TAC's consideration of this matter and advised that such a change was not favored by TAC at this time. Chairman Dalton noted that the intent was to review these matters further in June 2011 after experience with Nodal stabilization and with the benefit of additional feedback from the Legislative Session. Ms. Doll commended TAC and its subcommittees for their work on this matter. Mr. Gent also commended Mr. Jones and Ms. Hobbs for their efforts. He requested that the Committee receive feedback on the results of a formal poll of other organizations regarding such structures, if time permitted, and that ERCOT staff be placed in charge of all documentation. Chairman Dalton requested final changes to the proposed structures for consideration by the Committee at its November 2010 meeting.

### **Future Agenda Items (Agenda Item 7)**

No additional items were added to the Committee's Future Agenda Items list.

### **Other Business (Agenda Item 8)**

No other business was considered at this time.



**Convene to Executive Session (Agenda Items 9 through 13)**

Chairman Dalton noted that there would be no voting items from Executive Session (other than Executive Session meeting minutes) and adjourned the meeting to Executive Session at approximately 4:37 p.m.

**Vote on Matters from Executive Session; and Adjournment (Agenda Items 14 and 15)**

There were no voting matters from Executive Session (other than Executive Session minutes which were approved during Executive Session). Chairman Dalton adjourned the meeting directly upon conclusion of Executive Session at approximately 5:42 p.m.

Committee materials and presentations from the meeting are available on ERCOT's website at [http://www.ercot.com/committees/board/hr\\_governance/](http://www.ercot.com/committees/board/hr_governance/).

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Vickie G. Leady  
Senior Corporate Counsel and  
Assistant Corporate Secretary