

DRAFT MINUTES OF THE BOARD OF DIRECTORS MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

ERCOT Austin Offices
7620 Metro Center Drive
Austin, Texas 78744
September 19, 2006 at 10:00 a.m.

Pursuant to notice duly given, the meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) convened at approximately 10:10 a.m. on the above-referenced date.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated; Board Chairman
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Consumer/Industrial
Espinosa, Miguel		Unaffiliated
Gahn, Scott	Just Energy	Independent REP
Gallagher, Carolyn Lewis		Unaffiliated
Hudson, Paul	Public Utility Commission of Texas	PUCT Chairman; arrived at 10:30 a.m.
Jones, Sam	ERCOT President/CEO	ERCOT
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Coop	Cooperatives
Manning, Bob	HEB	Consumer/Commercial; Board Vice Chairman
Newton, Jan		Unaffiliated
Ögelman, Kenan	Office of Public Utility Counsel	Consumer/Residential; Proxy for Suzi McClellan
Standish, Tom	CenterPoint Energy	Investor-Owned Utilities
Taylor, William	Calpine Corporation	Independent Generator

Staff and Guests:

Adib, Parviz	PUCT
Ashley, Kristi	Exelon
Belk, Brad	LCRA
Bell, Wendell	TPPA
Bojorquez, Bill	ERCOT Staff
Brandt, Adrienne	PUCT
Brenton, Jim	ERCOT Staff
Brewster, Chris	Steering Committee of Cities Served by TXU
Bruce, Mark	FPL Energy
Byone, Steve	Vice President & Chief Financial Officer
Capezzuti, Nancy	Vice President of Human Resources & Organizational Development
Clemenhausen, Barbara	Topaz Power
Comstock, Read	Strategic Energy
Cutrer, Michelle	Green Mountain Energy
Day, Betty	ERCOT Staff

Dreyfus, Mark	Austin Energy
Drost, Wendell	Areva
Fisher, Pam	ERCOT Staff
Fouriner, Margarita	Competitive Assets
Giuliani, Ray	Vice President & Chief of Market Operations
Greer, Clayton	Constellation
Gresham, Kevin	Reliant Energy
Gruber, Richard	ERCOT Staff
Gurley, Larry	TXU
Hartman, Lori	PUCT
Headrick, Bridget	PUCT
Helton, Bob	American National Power
Hinsley, Ron	Vice President & Chief Information Officer
Hobbs, Kristi	ERCOT Staff
Jones, Don	TIEC
Jones, Liz	TXU
Jones, Randy	Calpine
Kolodziej, Eddie	Customized Energy Solutions
Leech, Bob	Citigroup Energy Inc.
Marlett, Valerie	GDS Associates
McAndrews, Neil	Deutsche Bank
Meek, Don	ERCOT Staff
Moore, John	John Moore
Moss, Steven	First Choice Power
Oldham, Phillip	TIEC
Petterson, Michael	ERCOT Staff
Pieniazek, Adrian	NRG Energy
Roark, Dottie	ERCOT Staff
Rowe, Evan	PUCT
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT Staff
Sean Barry	PwC
Seely, Chad	ERCOT Staff
Shumate, Walt	Shumate & Associates
Smitherman, Barry	PUCT Commissioner
Thorne, James	Vice President, General Counsel and Corporate Secretary
TroxteLL, David	ERCOT Staff
Twiggs, Thane	Direct Energy
Verret, R. P	Consultant
Vincent, Susan	ERCOT Staff
Walker, DeAnn	CenterPoint Energy
Wattles, Paul	ERCOT Staff
Wilkerson, Dan	Bryan Texas Utilities
Winn, Steve	NRG Energy
Wittmeyer, Bob	RJ Covington
Wullenjohn, William	ERCOT Staff

Announcements

Mark Armentrout, Chairman of the ERCOT Board of Directors, called the meeting to order and determined that a quorum was present.

Consent Agenda

Chairman Armentrout added the following Protocol Revision Requests (PRRs) to the Consent Agenda: 658, 663, 664, 665, 668 and 687. The Technical Advisory Committee (TAC) passed each of these PRRs by unanimous vote with all market segments in attendance. As a result, the items made part of the Consent Agenda included:

- Minutes of August meeting
- PRRs 658, 663, 664, 665, 668 and 687

Bob Manning moved to approve the items on the Consent Agenda. Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.

CEO Report

Sam Jones, ERCOT President and Chief Executive Officer (CEO), reported on several matters, including the fact that, this summer, ERCOT experienced the highest average temperature in the central Texas area in recorded history. The ERCOT System performed well throughout the summer, but we are now entering the “shoulder months” which often pose more challenges than the summer months. This year, ERCOT anticipated a peak Load of 61,600 MWs and, instead, experienced a peak demand of approximately 62,400 MWs.

Mr. Jones then reported on the status of the process to establish a Regional Entity (RE) for the ERCOT Region. Several meetings have taken place among Regional Reliability Organization (RRO) representatives and North American Electric Reliability Council (NERC) representatives and draft proposals are still circulating. Bob Kahn stated that the H.R. & Governance Committee (H.R. & Governance) established a sub-committee to address these issues.

Finally, Mr. Jones pointed out that a Reliability Must Run (RMR) exit strategy for the Atkins Resource was provided in the Board packet for informational purposes.

Upon his arrival at approximately 10:30 a.m., Chairman Hudson called to order an open meeting of the Public Utility Commission of Texas.

Operating Reports

Chairman Armentrout asked if anyone had questions about the operating reports provided in the Board packet. No questions were raised. Chairman Armentrout encouraged Board members to contact Mr. Jones with comments regarding the key performance indicators.

Chairman Armentrout asked a question regarding the Out of Merit Energy-Down (OOME-Down) dollar amount for 2006 versus 2005. It was reported that the costs have gone down for various reasons, including lower natural gas prices, less local congestion and transmission system improvements.

Nodal Market Redesign Status Report

Ron Hinsley, ERCOT Vice President and Chief Information Officer (CIO), provided an update on the status of the Nodal market redesign effort. He began by stating that the timeline has not yet been finalized, but currently envisions a phased implementation beginning on March 31, 2008 for Release 1 (Single Entry Model with stable and capable State Estimator (SE); December 1, 2008 for Release 2 (Real

Time Operations – Location Marginal Pricing); and December 8, 2008 for Release 3 (Forward Markets – Day-Ahead Market and Congestion Revenue Rights). The Transition Plan Task Force (TPTF) approved this phased approach, as did the TAC (by a 24-2 vote). A discussion then took place regarding how to revert to a zonal market design if a problem arises with any of the phases of the nodal market design implementation.

Mr. Hinsley reported that the project is now in “amber” status based on a January 1, 2009 delivery. He also stated that, originally, ERCOT staff hoped to propose a budget at this meeting. However, the nodal team prefers to discuss the budget with TPTF before presenting it to the Board. He stated that the preliminary budget is approximately \$260 million. This budget will be discussed with TPTF and refined. A lengthy discussion took place regarding the budget and issues associated with the nodal market redesign.

ERCOT Action Plans Following April 17, 2006 Rotating Outages

Paul Wattles, ERCOT Manager of Governmental Relations and Communications, and Kent Saathoff, ERCOT Director of System Operations, presented information regarding the actions resulting from the April 17, 2006 Emergency Electric Curtailment Plan (EECP) event. Mr. Saathoff reported that a number of issues arose from that event, including: (i) the accuracy of load forecasts, (ii) EECP procedures, (iii) operating reserve requirements, (iv) incentives for interruptible load, (v) firm load shedding procedures and (vi) the need for improved communication among ERCOT, the Public Utility Commission of Texas (PUCT), legislative leadership, the State Operations Center (SOC), and the public.

The following actions are intended to address these issues:

- ERCOT has replaced the forecasting model in use in April. Improvements are being made to the model and ERCOT has also entered into a contract with an independent load forecast service to have the ability to choose between two completely independent forecasts;
- ERCOT staff worked with the Reliability and Operations Subcommittee (ROS) to develop an Operating Guide Revision Request (OGRR) and PRR to address EECP changes;
- ERCOT staff has determined that using 2,300 MW for Responsive Reserve is still reasonable;
- The PUCT is considering the interruptible load issue;
- ERCOT is currently conducting a survey of the specific load shedding procedures used by each Transmission Operator (and expects to have responses during October);
- Changes to the communication procedures have been implemented

Security Project – Identity & Access Management

Jim Brenton, ERCOT Security Director, made a presentation regarding changes being made regarding identity and access management within ERCOT to address SAS70 audit findings. ERCOT has developed a project to be implemented in two phases. The first phase will create a user access repository, create access profiles and create a self-service interface for ad hoc requests. The second phase will create connections to interface with all applications, automate provisioning, provide for self-service password management, password synchronization, and real-time monitoring and training.

Finance & Audit Committee Report

Clifton Karnei, the committee chair, reported that the committee met on the morning of September 19th and heard from ERCOT’s auditors regarding several current audits. He stated that several matters will be discussed during Executive Session.

H.R. & Governance Committee

Bob Kahn, the committee chair, stated that the committee met on the morning of September 19th and discussed the following issues:

- the Board member Ethics Agreement (he anticipates a presentation regarding this issue next month);
- a possible new employee benefit relating to tuition reimbursement (a proposal should be made soon); and
- governance issues relating to the Regional Entity.

Other Business

Chairman Armentrout inquired as to whether there was any other business. None was raised.

Terms for Board of Directors

Chairman Armentrout then stated that a document showing the terms for the various Board members was circulated in the Board packet. He also welcomed Jan Newton as the newest unaffiliated Board member.

Future Agenda Items

Chairman Armentrout asked if anyone had future agenda items to recommend. Mr. Karnei mentioned analyzing ERCOT reliability during a cold weather event involving gas curtailment. Mr. Jones stated that a presentation will be made at a future Board meeting on this subject. Mr. Gahn recommended removing from the list of future agenda items the discussion of the 2004 State of the Market report. Chairman Armentrout stated that the item will be removed.

Ten Year Award Presentations

Mr. Jones presented ten year service awards to the following employees: Gary Barlich, Tamara Bunner Drummond, William Casario, Ken Donohoo, Jerry Douglas, Steve Grendel, Greg Guenther, Robert Matlock, Roy McCoy, Eugene Mitschke, Steve Myers, Ralph Poston and Bobby Winkler.

TAC Report

Chairman Armentrout invited Read Comstock, Chairman of TAC, to report on recent TAC activities. Mr. Comstock then discussed the PRRs and other matters set forth below.

Protocol Revision Requests

Mr. Comstock reported that TAC voted to recommend that the Board approve the following PRRs, described as follows:

- ***PRR682, Emergency Electric Curtailment Plan (EECP) Event Realignment - URGENT. Proposed effective date: October 1, 2006.*** This PRR revises the necessary sequence for ERCOT to process EECP-related items, allowing ERCOT to be more proactive in communicating system conditions during certain events. This PRR was posted on 8/14/06 and, on 8/16/06, PRS granted urgent status through an email vote. On 8/17/06, PRS voted to recommend approval of PRR682

as revised by the PRS. The motion passed with one abstention from the IPM segment. All Market Segments attended the vote. On 9/6/07, with all Market Segments present, TAC voted unanimously to recommend approval of PRR682 as revised by comments from ERCOT Staff. ERCOT credit staff and the Credit Work Group (Credit WG) reviewed PRR682 and believe it does not require changes to credit monitoring activity or the calculation of liability.

Mr. Comstock discussed the background of this PRR and invited ERCOT staff to comment. Mr. Jones stated that ERCOT almost had to invoke the EECF on Sunday, September 10, as a result of unexpected weather conditions. As a result of lessons learned from that event, ERCOT staff proposed some potential changes to this PRR to revise the new process, specifically, to allow ERCOT management additional flexibility relating to the news media appeal for public conservation. ERCOT would prefer to make discretionary public notification at Phase 1 of the EECF, or earlier, and require public notification in Phase 2 if not already underway. Several Board members raised concerns about ERCOT using its discretion before issuing a public appeal because using that discretion could subject ERCOT to second-guessing.

Mr. Espinosa moved to send this PRR back to TAC to allow consideration of the ERCOT staff comments; Mr. Ögelman seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- ***PRR688, ERCOT Nodal Implementation Surcharge – URGENT. Proposed effective date: October 1, 2006.*** This PRR documents how ERCOT will calculate the Nodal Implementation Surcharge (NIS) to comply with the Final Order issued by the Public Utility Commission of Texas (PUCT) in Docket No. 32686, Application of the Electric Reliability Council of Texas for Approval of a Nodal Market Implementation Surcharge and Request for Interim Relief, to fund implementation of the nodal market redesign. This PRR was posted on 8/28/06 and the submitter requested urgent status to meet the effective date of the PUCT Order. On 8/30/06, the Protocol Revision Subcommittee (PRS) granted urgent status via email vote. On 8/31/06, PRS voted unanimously to waive notice and consider PRR688 and voted to recommend approval of the PRR as modified by ERCOT staff comments (with one abstention from the IPM segment). Also on 8/31/06, PRS voted to assign PRR688 a priority of 1 and a rank of 7.5 (with two abstentions from the IPM and IG segments). All Market Segments attended the votes. On 9/7/06, TAC voted to recommend approval of PRR688 as recommended by PRS, subject to the Board's satisfaction that the exemption issue is adequately addressed (with one opposing vote and one abstention, both from the IOU segment); all Market Segments attended the vote.
- ***PRR690, Termination of the Modified Competitive Solution Method – URGENT. Proposed implementation date: October 1, 2006.*** This PRR eliminates the references to the Modified Competitive Solution Method (MCSM) consistent with P.U.C. SUBST. R. §25.502(i), Termination of the Modified Competitive Solution Method (MCSM). This PRR was posted on 8/28/06 and the submitter requested urgent status to meet the effective date of the PUCT Rule. On 8/30/06, PRS granted urgent status via email vote and, on 8/31/06, PRS voted unanimously to waive notice and consider PRR690. PRS then voted unanimously to recommend approval of the PRR as submitted. All Market Segments attended the vote. On 9/7/06, TAC voted to recommend PRR690 as recommended by PRS (with five abstentions from the Consumer (2) and IREP (3) segments); all Market Segments attended the vote.

Chairman Armentrout opened the floor to discussion on PRRs 688 and 690.¹ **Mr. Kahn moved to approve PRR688 and PRR690; Mr. Karnei seconded the motion. The motion passed by unanimous**

¹ PRRs 658, 663, 664, 665, 668 and 687 were addressed in the Consent Agenda.

voice vote with no abstentions.

Nodal Protocol Revision Requests (NPRR)

The TAC recommends approval of the following Nodal Protocol Revision Requests:

- ***NPRR011, Revision to Credit Requirements.*** This NPRR adds a requirement that a Counterparty in Payment Breach must provide ERCOT with information about its Electric Service Identifier (ESI IDs) as set forth in the ERCOT Retail Market Guide. This NPRR was posted on 8/1/06 and, on 8/17/06, PRS voted unanimously to recommend approval as submitted. All Market Segments attended the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR011 as recommended by PRS. All Market Segments attended the vote. ERCOT credit staff and the Credit WG reviewed NPRR011 and believe it has a positive credit implication: obtaining billing and other information about customers from an entity in breach will enable the Mass Transition process to execute more smoothly once initiated. This NPRR should reduce the risk to the acquiring entities as well as speed the process of moving customers.
- ***NPRR012, CRR Granularity in CRR Auction.*** This NPRR revises the Congestion Revenue Rights granularity from whole MWs to tenths of MWs. This NPRR was posted on 8/9/06 and, on 8/17/06, PRS voted unanimously to recommend approval of NPRR012 as submitted. All Market Segments attended the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR012 as recommended by PRS. All Market Segments attended the vote. ERCOT credit staff and the Credit WG reviewed NPRR012 and believe it does not require changes to credit monitoring activity or the calculation of liability.
- ***NPRR014, Zonal PRR Synchronization for Section 16.*** This NPRR incorporates relevant language from various PRRs approved by the Board between April 2004 and February 2006 and determinations regarding ERCOT Staff clarification questions discussed by TPTF. This NPRR was posted on 8/9/06 and, on 8/17/06, PRS voted unanimously to recommend approval of NPRR014 as revised by PRS. All Market Segments attended the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR014 as recommended by PRS. All Market Segments attended the vote. The Credit WG noted support for NPRR014 by stating that this NPRR has positive credit implications because it may reduce the amount of uplift to Market Participants.
- ***NPRR015, Zonal PRR Synchronization Section 22 Attachment H.*** This NPRR incorporates relevant language from PRR643, Shorten Payment Default Timelines, approved by the Board on 12/13/05. This NPRR was posted on 8/9/06 and, on 8/17/06, PRS voted unanimously to recommend approval of NPRR014 as submitted. All Market Segments attended the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR015 as recommended by PRS. All Market Segments attended the vote. The Credit WG noted support for NPRR015 by stating that this NPRR has positive credit implications because it may reduce the amount of uplift to Market Participants.
- ***NPRR016, TPTF Cleanup Items for Sections 2, 3, and 16.*** This PRR corrects conformance errors in the Nodal Protocols. This NPRR was posted on 8/9/06 and, on 8/17/06, PRS voted unanimously to recommend approval of NPRR016 as revised by PRS. All Market Segments attended the vote. On 9/7/06, TAC unanimously voted to recommend approval of NPRR016 as recommended by PRS. All Market Segments attended the vote. ERCOT credit staff and the

Credit WG have reviewed NPRR016 and believe it does not require changes to credit monitoring activity or the calculation of liability.

Chairman Armentrout opened the floor for discussion regarding the above-referenced NPRRs. **Mr. Kahn moved to approve the above-referenced NPRRs as submitted. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

- ***NPRR003, Section 5, Zonal PRR Synchronization and ERCOT Staff Clarifications.*** This NPRR incorporates relevant language from PRR537, Increased Congestion Management Flexibility, approved by the ERCOT Board on 9/21/04. This NPRR also incorporates TPTF determinations regarding ERCOT Staff clarification questions as documented in the ERCOT Clarification Matrix for Section 5 and discussed by TPTF on 1/9/06, 2/6/06, 4/10/06 and 4/11/06. On 6/22/06, the PRS unanimously voted to recommend approval of NPRR003 with all Market Segments present for the vote. On 7/6/06, the TAC unanimously voted to refer NPRR003 to the Reliability Operations Subcommittee (ROS) to evaluate whether Nodal Protocol Section 5.5.1(5), Security Sequence, is consistent with the Operating Guides. All Market Segments attended the vote. On 9/7/06, with all Market Segments present, TAC voted to recommend approval of NPRR003 as amended by comments submitted by the TPTF and CenterPoint Energy (with one abstention from the Independent Generator segment).
- ***NPRR013, Section 2, Zonal PRR Synchronization and ERCOT Staff Clarifications.*** This NPRR incorporates relevant language from various PRRs approved by the Board between April 2004 and February 2006 and determinations regarding ERCOT Staff clarification questions discussed by TPTF. This NPRR was posted on 8/9/06 and, on 8/17/06, PRS voted to recommend approval of NPRR013 as submitted (with one abstention from the IOU Market Segment); all Market Segments attended the vote. On 9/7/06, TAC voted to recommend approval of NPRR013 as recommended by PRS (with two abstentions from the IOU segment and the Cooperative segment); all Market Segments attended the vote. ERCOT credit staff and the Credit WG have reviewed NPRR013 and believe it does not require changes to credit monitoring activity or the calculation of liability.

Chairman Armentrout opened the floor for discussion regarding NPRR003 and NPRR013. **Mr. Manning moved to approve the above-referenced NPRRs as submitted. Mr. Taylor seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

2007 Commercially Significant Constraints (CSC) and Congestion Zones

The Congestion Management Working Group (CMWG), under the Wholesale Market Subcommittee (WMS) and TAC, met to consider the 2007 Commercially Significant Constraints and Congestion Zones. ERCOT Staff provided the underlying analysis using the latest Load flow data to determine expected operating limits, candidate CSCs and associated constraints to use in designating CSCs for 2007. After a full evaluation by CMWG and WMS and discussion at the September 7th TAC meeting, TAC recommended retaining the 2006 CSCs for 2007 with the exception of the Northeast to North CSC (Farmersville to Royse double circuit) and the corresponding four Congestion Zones (Northeast becomes a part of the North zone). ERCOT staff also supports this recommendation.

2007 CSCs:

CSC#1 – West to North – Graham to Parker and Graham to Benbrook

CSC#2 – South to North – Sandow to Temple double circuit

CSC#3 – South to Houston – South Texas Project to Dow (Valasco) double circuit

CSC#4 – North to Houston – Gibbons Creek to O'Brien, Jewett to T.H. Wharton

CSC#5 – North to West – Parker to Graham, Benbrook to Graham

2007 Congestion Zones:

- 1 – West 2007
- 2 – North 2007
- 3 – Houston 2007
- 4 – South 2007

Mr. Espinosa moved to approve the 2007 CSCs and Congestion Zones as proposed; Mr. Dalton seconded. The motion passed by unanimous voice vote with no abstentions.

Nodal Co-Optimization Options

A PUCT Order required reviewing the feasibility of including real-time co-optimization in the Nodal Protocols. TAC assigned this project to the WMS, which formed a task force to address the issue. Ultimately, the TAC approved a recommendation that the initial implementation of the nodal market should not include either sequential or real-time co-optimization. Parviz Adib of the PUCT stated that the PUCT has favored co-optimization, but agrees with the proposal as presented. **Mr. Kahn moved to approve the TAC recommendation; Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Comstock then provided notice of Operating Guide revisions approved by TAC

Discussion of PRR676 and Appeal of PRR674

- **PRR676, RPRS Solution with Nodal RUC-Type Procurement and Cost Allocation - URGENT. Proposed effective date: upon system implementation.** This PRR modifies the cost allocation methods for Replacement Reserve Service (RPRS) to be consistent with the procurement and cost allocation methods for the Reliability Unit Commitment (RUC) contained in the Nodal Protocols. This PRR was posted on 7/25/06 and, on 7/27/06, PRS granted urgent status through an email vote. On 8/31/06, PRS voted to recommend approval of PRR676 as amended by PRS (with four opposing votes from the Independent Generator (IG) (1), and Consumer (3) segments) and four abstentions from the Investor Owned Utility (IOU) (1), IG (1), and IREP (2) segments). All Market Segments attended the vote. Also on 8/31/06, PRS voted to assign PRR676 a priority of 2 and a rank of 10. On 9/7/06, TAC voted to recommend approval of PRR676 as revised by comments from ERCOT Staff and to recommend simultaneous implementation of PRR676 with PRRs 666 and 687 (with seven abstentions from the IOU (4), IPM, IREP and IG segments and one opposing vote from the Consumer segment). All Market Segments attended the vote. ERCOT credit staff and the Credit WG have reviewed PRR676 and believe it does not require changes to credit monitoring activity or the calculation of liability.

Mr. Comstock provided some background associated with this PRR and other issues related to RPRS. In September, TAC approved PRR676 and rejected an appeal of the PRS' rejection of PRR674. Mr. Comstock then invited Dan Jones, sponsor of PRR676, to make a brief presentation regarding his reasons for sponsoring PRR676. At the end of Mr. Jones's presentation, Commissioner Smitherman raised a question regarding the 2x multiplier in PRR676.

After Mr. Jones's presentation, the chair invited Vanus Priestly of Constellation New Energy and Michael Sparks of Suez Energy International to make brief presentations in support of the appeal of the rejection of PRR674, including the background of relaxed balanced schedules. Chairman Armentrout raised a question about the time period over which Mr. Priestly compiled the data he presented.

Chairman Armentrout then recapped the presentations and requested input from Board members. A lengthy discussion regarding the positive and negative aspects of PRR676 and PRR674 took place.

Mr. Manning moved to:

- (1) approve PRR674 with a termination date of the earlier of: (a) the date on which ERCOT implements PRR676 and (b) February 1, 2007; and**
- (2) approve PRR676 as revised by ERCOT comments as described by Mr. Dan Jones of CPS,**
- (3) instruct ERCOT to implement both PRRs as expeditiously as possible.**

Mr. Kahn seconded the motion. Chairman Armentrout then opened the floor to discussion. After some discussion, Messrs. Manning and Kahn accepted a proposed amendment to the motion requiring ERCOT staff to provide the Board the following: (i) in November, an update regarding the effect of PRR674 on RPRS; and (ii) in January 2007, an update regarding the estimated implementation date for PRR676. The amended motion passed by a vote of 13 to 1 (Mr. Dalton) with no abstentions.

Executive Session

Chairman Armentrout adjourned the open portion of the meeting into Executive Session at approximately 3:30 p.m. to handle contract, personnel and litigation matters.

After the Executive Session (at approximately 4:55 p.m.), the following votes took place:

- **Mr. Manning moved to approve the minutes of the August Executive Session, as amended pursuant to Mr. Kahn's recommendation in Executive Session; Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.**
- **Mr. Armentrout moved to approve the contract for the Market Management System discussed in Executive Session and as set forth in the Board Resolution previously circulated and attached to the minutes of today's Executive Session. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ögelman).**
- **Mr. Armentrout moved to approve the contract with PA Consulting for program management services discussed in Executive Session and as set forth in the Board Resolution previously circulated and attached to the minutes of today's Executive Session; Mr. Karnei seconded the motion. The motion passed by a vote of 10 to 1 (Mr. Gahn) with two abstentions (Messrs. Ögelman and Taylor).**
- **Mr. Kahn moved to approve the additional funds to the contract relating to the fiber optic network discussed in Executive Session and as set forth in the Board Resolution previously circulated and attached to the minutes of today's Executive Session; Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with two abstentions (Mr. Ögelman; Ms. Newton).**
- **Mr. Manning moved to approve the additional funds to the contract relating to the FasTrack project discussed in Executive Session and as set forth in the Board Resolution previously circulated and attached to the minutes of today's Executive Session; Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ögelman).**
- **Mr. Espinosa moved to approve the contract for Security Identity and Access Management discussed in Executive Session and as set forth in the Board Resolution**

- previously circulated and attached to the minutes of today's Executive Session; Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ögelman).
- Mr. Karnei moved to increase ERCOT's revolving credit facility as discussed in Executive Session and as set forth in the Board Resolution previously circulated and attached to the minutes of today's Executive Session; Mr. Manning seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ögelman).
 - Mr. Cox moved to approve the filing of the lawsuit discussed during Executive Session; Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

Chairman Armentrout adjourned the meeting at approximately 5:05 p.m.

Board materials and presentations from the meeting are available on ERCOT's website at <http://www.ercot.com/calendar/2006/06/20060620-BOARD.html>.

James L. Thorne
Vice President, General Counsel & Corporate Secretary