

**DRAFT MINUTES OF THE BOARD OF DIRECTORS OF
THE TEXAS REGIONAL ENTITY - A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

7620 Metro Center Drive, Room 206
September 18, 2007

Mark Armentrout		Unaffiliated; Board Chairman
Brad Cox	Tenaska Power Services	Independent Power Marketer
Andrew Dalton	Valero Energy Corp.	Consumer/Industrial
Miguel Espinosa		Unaffiliated
Nick Fehrenbach	City of Dallas	Consumer/Large Commercial
R. Scott Gahn	Just Energy	Independent REP
Carolyn Lewis Gallagher		Unaffiliated
Michehl R. Gent		Unaffiliated; Board Vice-Chairman
Bob Helton	Calpine Corp.	Independent Generator
Bob Kahn	ERCOT	
Clifton Karnei	Brazos Electric Coop	Cooperatives
Suzi Ray McClellan	PUCT	
Jan L. Newton		Unaffiliated
Tom Standish	CenterPoint Energy	Investor-Owned Utilities
Dan Wilkerson	Bryan Texas Utilities	Municipal

Other Attendees

Steve Bartley, Board Segment Alternate
Nancy Capezzuti, ERCOT, Vice President of Human Resources and Organizational Development
Commissioner Julie Parsley, Public Utility Commission of Texas (PUC)
Jean Ryall, Constellation Energy Commodities Group, Independent Power Marketer
Robert Thomas, Board Segment Alternate
Susan Vincent, ERCOT Assistant General Counsel

Outside Counsel and Staff Present

David Brown, Hughes & Luce, LLP Outside Counsel
Ginny Hayes, Hughes & Luce, LLP Outside Counsel Assistant
Mark Henry, Texas RE

Call to Order

Chairman Armentrout called to order the regular meeting of the Texas Regional Entity – a division of Electric Reliability Council of Texas, Inc. (Texas RE) Board of Directors at approximately 3:34 p.m.

Open Session – Texas Regional Entity Report

Mr. Kahn left the meeting.

Executive Session

Chairman Armentrout adjourned the open portion of the meeting into Executive Session to handle personnel, litigation, and contract matters at approximately 3:45 p.m. No votes were taken.

The Executive Session adjourned at 4:18 p.m.

Mr. Kahn joined the meeting at 4:20 p.m.

Item 4 – Compliance Update

Mark Henry, Manager of Compliance and Review, joined the meeting at 4:21 p.m. Mr. Henry began his report.

Item 5 – Texas RE Amended and Restated Delegation Agreement. Chairman Armentrout took up Item 5, regarding the Texas RE/NERC Amended and Restated Delegation Agreement (“ARDA”). Mr. Brown reported that there were many changes in to the previously approved Delegation Agreement that were intended to comply with FERC’s April 19, 2007, order. Mr. Brown stated that Mr. Grimm was attending a FERC technical conference on the day of the Board meeting on the topic of ISO penalties.

Mr. Brown also stated that there is an October 16, 2007, compliance filing deadline with FERC and that NERC needs the filing by October 1, 2007, for its own review and approval.

Chairman Armentrout asked if there were any actions needed to be taken today. Mr. Brown stated yes, that a full board vote was needed to adopt the ARDA. Chairman Armentrout mentioned further discussions had been held at the H.R. & Governance meeting.

Chairman Armentrout asked if Mr. Brown had a recommendation for the Board. Mr. Brown stated yes, the Board should proceed to a vote and approve the ARDA. The ARDA consists of changes FERC required and is a compliance filing that must be made in conformity with the FERC order. Mr. Dalton explained that his concern was that the FERC orders potentially permitted consumers to be charged (directly or indirectly) not only the normal fees to ERCOT, but also to lose the benefit of any penalties charged to ERCOT-ISO because of their being sent to NERC without an offset to the otherwise-collected fees. As written, the ARDA effected the FERC’s order and potentially exacerbated consumers’ concerns.

Chairman Armentrout asked if there were any questions and called upon the Board for a motion. Mr. Gent moved to approve, and Mr. Helton seconded the motion.

Mr. Gent asked Mr. Henry if a big compliance cost item was found, what would be the due process for recourse. Mr. Henry stated that NERC had a provision already in place for remedial actions and that there were appeals.

The Board approved the resolution with a unanimous voice vote.

Item 3 – Minutes

Chairman Armentrout asked if the members had any changes to the minutes of the past monthly meeting. Mr. Kahn proposed a correction to the list of attendees to include him and Mr. Grimm.

Item 4 – Compliance Update, continued

Chairman Armentrout asked if Mr. Henry had anything else to report. Mr. Henry stated that there were one or two changes to report, but that the records were showing an improvement. There were no violations for the past two months.

Chairman Armentrout asked if there were any questions. Ms. Newton asked about the report of September 5 regarding the NERC event and what the potential consequences were. Mr. Henry stated that they were still looking into the incident. Chairman Armentrout asked if there were any standards to follow and what the penalties are. Mr. Henry described the standard process, the assessment of penalties, and other remedies.

Commissioner Parsley left the meeting at 4:45 p.m.

After discussion among Ms. Newton and others, Chairman Armentrout suggested Mr. Henry revise the format of the report to include a description of the event, the root cause of problem, kilowatts, number of customers impacted, resolutions recommended, and violations for Mr. Grimm's consideration, and then to forward it to Mr. Armentrout to present to the next Board meeting.

Mr. Espinosa left the meeting at 4:50 p.m.

Chairman Armentrout asked if there were any other questions. None were asked.

Item 6 – ERCOT/Texas RE Corporate Secretary

Ms. Gallagher introduced Item 6, which included a resolution, with changes, intended to appoint Mr. Brown as Assistant Secretary.

After discussion among Chairman Armentrout and others, Chairman Armentrout requested a motion to approve the resolution to create an assistant secretary of the Texas RE, staffed by Mr. Brown. Ms. Gallagher moved for approval of the resolution, and the motion was seconded by Mr. Cox. The resolution was approved by unanimous voice vote with no abstentions.

Chairman Armentrout asked if there was any other business. None was heard.

Adjourn

Meeting was adjourned at 4:55 p.m.