

**MINUTES OF THE FINANCE & AUDIT COMMITTEE  
OF THE TEXAS REGIONAL ENTITY DIVISION OF  
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Room 168, 7620 Metro Center Drive, Austin Texas 78744

June 17, 2008 7:45 a.m.

**Committee Members**

Miguel Espinosa, Acting Chair	Unaffiliated Board Member	Unaffiliated
Calvin Crowder	American Electric Power Service	Investor Owned Utility
Nick Fehrenbach	City of Dallas	Large Commercial Consumer
Michehl R. Gent	Unaffiliated Board Member	Unaffiliated
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider
Dan Wilkerson	Bryan Texas Utilities	Municipal

**Commissioners, Other Board Members and Segment Alternates**

Barry Smitherman	PUC Chairman	
A. D. Patton	Unaffiliated Board Member	Unaffiliated
Mark Walker	NRG Texas	Independent Generator

**Other Attendees**

Larry Grimm, Texas Regional Entity CEO/CCO  
 Susan Vincent, Texas Regional Entity  
 Todd Brewer, Texas Regional Entity  
 Ryan Clay, Texas Regional Entity  
 Steve Byone, ERCOT VP and CFO  
 William Wullenjohn, ERCOT

**Call to Order**

Pursuant to notice duly given, the meeting of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) Finance & Audit Committee ("Committee") convened at **7:45 a.m.** on **June 17, 2008**. Acting Chair Miguel Espinosa called the meeting to order and ascertained that a quorum was present.

**Approval of Previous Minutes**

**Dan Wilkerson moved for approval of the minutes of the April 15, 2008 Committee meeting; Robert Thomas seconded the motion. The motion passed by unanimous voice vote.**



### **Review of 2009 Texas RE Business Plan & Budget**

Larry Grimm, Texas RE CEO & CCO gave a brief overview of the 2009 Texas RE Business Plan & Budget (BP&B), which had been discussed in detail in May. Mr. Grimm informed the Committee that, although the budgetary dollar amounts had not changed from the May Committee and Board meetings, the BP&B had been revised, due to NERC guidance, and the modifications caused 0.5 FTE to be moved from the Readiness Review function to the Compliance Audit function. Mr. Grimm reminded the Committee that the 2009 BP&B must be filled with NERC by July 9, 2008.

Mr. Gent suggested that Directors might want to send stakeholder input to NERC (about such matters as the NERC budget and business plan). In a response to a question from Mr. Gent regarding the rationale for the elimination of the Readiness Program, Mr. Grimm stated that, although the Readiness Program had initially been a useful program, the a change from voluntary compliance to mandatory compliance with Reliability Standards over the last year had caused the Readiness Program value to decrease, while the cost of this program remained relatively high.

In response to a question by Mr. Espinosa regarding whether Texas RE had made any comments to NERC on the elimination of the Readiness Program from the NERC and pro forma Regional Entity Business Plan & Budget, Mr. Grimm stated that Texas RE staff made verbal comments to NERC, but had not formally commented in writing. Mr. Grimm told the Committee that Texas RE staff could convey Director input to NERC, and agreed to send a link to the NERC Budget to the Directors.

At 7:50 a.m. Chairman Barry Smitherman from the Public Utility Commission of Texas arrived.

Mr. Gent asked Mr. Grimm if the proposed budget presented by him to the Committee was adequate. Mr. Grimm responded that he was comfortable with the 2009 BP&B.

In a response to a question from Mr. Espinosa asking how Texas RE would handle any unanticipated budgetary increases in 2009, Mr. Grimm responded that Texas RE would have to go back to NERC and FERC to request additional funds.

**Michehl Gent made a motion to recommend the Board to approve the 2009 Texas RE Business Plan & Budget as requested, with no material changes; Dan Wilkerson seconded the motion. The motion passed by unanimous voice vote.**

### **EthicsPoint Discussion**

Ms. Susan Vincent, Texas RE Director of Legal Affairs, informed the Committee that, in response to the Committee's request that Texas RE have an anonymous reporting tool for ethics and compliance issues, Texas Regional Entity has signed a contract and is working with EthicsPoint to create an EthicsPoint site with similar functionality to ERCOT's EthicsPoint site. She explained that the Texas RE site would be called "Texas Regional Entity Compliance Hotline" and would include for the ability to raise issues or Complaints specifically regarding reliability compliance issues as well as general ethics, personnel, HIPPA, and other general compliance issues.

Mr. Grimm informed the Committee that he and Ms. Vincent will receive the reports from EthicsPoint, but Texas RE needs to have an "independent" backup person (Unaffiliated Director) named to review reports in case a report couldn't be viewed by Larry Grimm or Susan Vincent (for example, if a complaint named Larry Grimm or Texas RE management") since

there was no "independent" person employed by Texas RE that would be similar to the Internal Audit function at ERCOT.

Mr. Espinosa asked when Texas RE anticipates the site to go live. Mr. Grimm responded that it should be fully functional by the end of August 2008. Mr. Espinosa stated that was too long of a time-frame for delivery, and asked Texas RE staff to plan for delivery by the end of July 2008. Mr. Grimm stated that Texas RE will strive to accomplish a delivery deadline of July 31, 2008.

#### **Approval of Previous Executive Session Minutes**

**Dan Wilkerson moved for approval of the minutes of the April 15, 2008 Executive Session Committee meeting; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.**

#### **Adjournment**

At 8:04 a.m. Chairman Espinosa adjourned the Committee meeting.



Susan Vincent, Secretary