



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

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive, Room 206, Austin, Texas 78744
April 22, 2009 at 10:00 a.m.

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

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated
Ballard, Don	Office of Public Utility Counsel	Residential Consumer
Ryall, Jean	Constellation Energy	Independent Power Marketer; Segment Alternate
Dalton, Andrew	Valero Energy Corp.	Industrial Consumer
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Gent, Michehl		Unaffiliated, Board Vice Chairman
Helton, Bob	International Power America Services	Independent Generator
Crowder, Calvin	AEP Service Corp.	Investor Owned Utility; Segment Alternate
Kahn, Bob	ERCOT	President and Chief Executive Officer
Karnei, Clifton	Brazos Electric Power Cooperative Inc.	Cooperative
Newton, Jan		Unaffiliated, Board Chairman
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Public Utility Commission of Texas	Commission Chairman
Thomas, Robert	Green Mountain Energy Company	Independent Retail Electric Provider
Wilkerson, Dan	Bryan Texas Utilities	Municipal

Staff and Guests:

Adib, Parviz	APX
Anderson, Kenneth	Public Utility Commission of Texas, Commissioner
Barry, Sean	PwC
Bartley, Steve	CPS Energy
Bell, Wendell	TPPA



Blakely, Eric	TXU Energy
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Bruce, Mark	TAC Chair
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Cleary, Mike	ERCOT
Cochran, Seth	Sempra
Crozier, Richard	Brownsville
Cutrone, Chris	OPUC
Day, Betty	ERCOT
Delenela, Ann	ERCOT
Doggett, Trip	ERCOT
Doolin, Estrellita	ERCOT
Dreyfus, Mark	Austin Energy
Drost, James Wendell	Areva
Gage, Theresa	ERCOT
Goff, Eric	Reliant
Grable, Mike	ERCOT
Grendel, Steve	ERCOT
Hall, Thomas	EquaTerra
Headrick, Bridget	Public Utility Commission of Texas
Jackson, Pat	Cities
Jefferis, Don	Opportune
Jones, Don	Reliant Energy
Jones, Liz	Oncor
Jones, Randy	Calpine
King, Kelso	King Energy
Kleckner, Tom	ERCOT
Leady, Vickie	ERCOT
Luedtke, David	Utilicast
Manning, Charles	ERCOT
McClendon, Shannon	TAC Vice Chair
Morelock, Kevin	Utilicast
Morgan, Richard	ERCOT
Morris, Sandy	LCRA
Nelson, Donna	Public Utility Commission of Texas, Commissioner
Nichols, Shawn	LS Power
Oehler, Melissa	Public Utility Commission of Texas
Pieniazek, Adrian	NRG Texas
Ply, Janet	ERCOT
Reynolds, Jim	Power & Gas Consulting
Roark, Dottie	ERCOT
Saathoff, Kent	ERCOT
Seibert, Dave	ERCOT



Son, Peter	E.On CR
Soutter, Mark	Invenergy
Spangler, Bob	Luminant
Spears, RC	Signal Hill
Trostle, Kay	Chaparral Steel
Turner, Dave	Utilicast
Vadie, Henry	
Walker, DeAnn	CenterPoint Energy
Wittmeyer, Bob	DME
Wrede, Rich	EquaTerra
Wullenjohn, William	ERCOT
Yager, Cheryl	ERCOT

Call to Open Session to Order (Agenda Item 1)

At approximately 10:10 a.m., Jan Newton, Chairman of the ERCOT Board, called the meeting of the ERCOT Board to order, determined that a quorum was present, and pointed out the Antitrust Admonition. Chairman Newton reminded the Board that the meeting was being streamed and recorded as a public webcast and that the Board would be receiving an update on the status of future webcasts during the meeting. Chairman Barry T. Smitherman called an open meeting of the Public Utility Commission of Texas (the Commission) to order.

Consent Agenda (Agenda Item 2)

The following items were handled in the consent agenda:

- Agenda Item 8a (in part) - Protocol Revision Request (PRR) Nos. 789 and 790;
- Agenda Item 8b - Nodal Protocols Revision Request (NPRR) No. 149; and
- Agenda Item 8c – System Change Request (SCR) No. 754.

PRR803 and PRR804 were removed from the consent agenda and discussed under the TAC Report instead.

Bob Helton moved to approve Agenda Items 8a (as amended, PRRs 789 and 790), 8b and 8c on the Consent Agenda. Mark Armentrout seconded the motion. The motion passed by unanimous voice vote with one abstention (Bob Thomas).

For convenience of the Board so that Chairman Smitherman's proposed revisions to the General Session March 17, 2009 Board meeting minutes could be considered, Chairman Newton then took the agenda items out of order.

CEO Report (Agenda Item 4)

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), reported that ERCOT had made its filing under the Nodal Surcharge Docket on March 31, 2009. He mentioned that Dan Woodfin and Warren Lasher had been recognized in the Texas House of Representatives



resolution regarding their work in the Competitive Renewable Energy Zone (CREZ) dockets. Mr. Kahn announced that Richard Morgan was acting as ERCOT's Interim Chief Information Officer and that the search to fill this position permanently was ongoing. He also reported that ERCOT was working on the May 2009 Capacity-Demand-Reserves Report. He advised that ERCOT would be interacting with the Department of Energy in connection with the new federal stimulus package. He further advised that, in response to a letter from Chairman Smitherman, ERCOT would be reviewing the impact of carbon and climate change legislation. Chairman Smitherman requested that these findings be reported during the May 2009 Board meeting. Mr. Kahn reported briefly on the AEP appeal and stated that with regard to the role of Market Participants, ERCOT had an open process so that Market Participants can feel free to make an appointment with him or ERCOT staff. He noted that ERCOT will continue this open process. Mr. Kahn discussed the importance of open, sometimes informal, staff-stakeholder communications. He noted that the subject matter of the appeal was important, and that he will be monitoring the appeal closely. Don Ballard inquired whether the AEP appeal would be discussed in further detail with the Board in Executive Session, to which Mike Grable, ERCOT Vice President and General Counsel, replied affirmatively. Calvin Crowder requested direction as to whether he should be a part of the Executive Session discussion due to his employment by AEP Service Corporation. Mr. Grable asked to speak with him further during the lunch break in order to make such determination. Commissioner Donna Nelson noted her concern regarding any further discussions on this topic as it could relate to an issue in a case pending before the Commission.

Operating Reports (Agenda Items 5a-d)

Chairman Newton reminded those in attendance that the Board held its regular Question and Answer (Q&A) Meeting regarding the Board materials on the afternoon of April 21, 2009. She opened this portion of the meeting to additional questions.

Financial Summary Report (Agenda Item 5a)

Chairman Newton solicited additional questions regarding the Financial Summary Report. Mr. Ballard noted the steep decrease in revenue in the System Administration Fee since October 2008. Mr. Kahn replied that this topic will be addressed with the Board's Finance and Audit (F&A) Committee and that the Capacity-Demand-Reserves Report will not be ready by May 2009, but probably by June 2009. Mr. Grable noted that Kent Saathoff had a slide in the Grid Operations Report that illustrated revenue in kilowatt hours for the remainder of the 2009 year.

Market Operations Report (Agenda Item 5b)

Chairman Newton solicited additional questions regarding the Market Operations Report. Chairman Smitherman expressed his interest in the natural gas index and Megawatt-hour volume statistics, and asked Ms. Day if she could provide more data. Chairman Smitherman and Messrs. Ballard, Helton, Armentrout and Doggett discussed the decline in gas prices.

IT Report (Agenda Item 5c)

Chairman Newton solicited additional questions regarding the IT Report, but there were none.

Grid Operations and Planning Report (Agenda Item 5d)



Kent Saathoff, ERCOT Vice President of System Planning and Grid Operations, noted that at the March 2009 Board meeting in relation to the Singleton outage, ERCOT had included temporary closely related elements (CREs) for Singleton and that there was a concern how it would affect prices. He advised that the work had been completed, that there was little price impact, and that ERCOT would issue a notice within one or two days that there would not be CREs since the work had been completed. With regard to PRR 776, Mr. Saathoff explained that WMS had questions and concerns about implementation which ERCOT planned to address the following week and that ERCOT planned implementation on May 22, 2009. Michehl Gent mentioned that a request for a new generation interconnect checklist has been received. Mr. Armentrout inquired about the status of the generation interconnect requests. Mr. Woodfin replied that the generation interconnect requests are built into the tracking process so they will either fall in or out, but that CREZ has been part of the issue. Mr. Gent asked about the depletion rate. Mr. Woodfin responded that it was about 22% of projects completing from step one, to a percentage in the high 80s for those that went through a full interconnection study. Mr. Gent then inquired about the fee. Mr. Woodfin replied that ERCOT only handles the interconnection study and that the rest is handled by the TDSP. Mark Bruce asked to clarify the wind forecast in the report with a footnote. Mr. Saathoff replied that he would add a footnote to clarify the 80% confidence level. Mr. Helton commented on the 72% decrease in the balancing up market. Mr. Saathoff responded that this decrease was more related to recent wind output, that the mild February weather also contributed to this decrease, and that he would expect balancing up to increase as the weather gets warmer.

Nodal Update (Agenda Item 6)

Mike Cleary, ERCOT Senior Vice President and Chief Technology Officer, presented the Nodal Update and reviewed the Nodal Program materials previously provided to the Board. Mr. Cleary reviewed the Program timeline as a road map and discussed the milestones and progressive phases – development of the applications, enterprise solutions, testing to make sure the applications work together, market trials, the concurrent operations between Zonal and Nodal, go-live activities and post-production support. He mentioned that ERCOT was planning for any deferred functionalities so that they were not overlooked. Mr. Cleary illustrated that the red line on the timeline indicated the current status of the Program and that the black lines represented Program milestones. Mr. Armentrout inquired about the method by which Mr. Cleary would show changes on the timeline each month. Mr. Cleary replied that the triangles on the timeline would be changed from white to black and that he would show a snapshot and explain each change to show progress to date on a calendar basis. Commissioner Nelson inquired about variances. Mr. Cleary committed to modify the presentation and create variance calendar dates. Calvin Crowder inquired as to whether a workaround was likely. Mr. Cleary replied that ERCOT had reviewed the risks and issues – Single-Entry Model (SEM) go-live considering the issue that additional NMMS defects threaten SEM go-live; completion of integrated systems considering the risk that there are possible resource conflicts between the Advanced Metering project, and other non-Nodal needs, and the Nodal Program; market trials considering the risk of reconciling Protocols, systems and market expectations; and Nodal go-live considering the risk of data center capacity concerns.

Chairman Newton commented that, in the past, ERCOT had experienced silos within the Nodal



Program. She continued that the Board wants an integrated approach and the Board would like to be updated immediately if it is learned that there are significant communication or coordination issues. Mr. Helton mentioned that the Special Nodal Program Committee will be reviewing data center, smart metering and Nodal risks. Mr. Cleary continued with his presentation and addressed the current Nodal Program initiatives including: re-forecasting Estimates at Completion (EACs); Nodal contract renegotiations; staffing assessments; Market Participant readiness; and managing deferred functionality. Chairman Newton asked about the manner by which deferrals were communicated. Mr. Cleary replied that ERCOT follows the PRR 799 process.

Steve Byone, ERCOT Vice President and Chief Financial Officer (CFO), then presented the Nodal Financial Management – CFO Transition Update. Mr. Byone explained that the Finance Department was now actively engaged in the Nodal Program, that the Financial Management Office (FMO) group had been established reporting to him as the ERCOT CFO, that he and Mr. Cleary were working closely together to jointly rebuild the financial credibility of the Nodal Program, and that they were getting good cooperation from the Nodal Program team. Mr. Byone added that transparency and quality of the financials are paramount. He noted that plans were for a new Estimate to Complete to be prepared by Nodal project managers and the PMO; the preliminary ETC is scheduled to be delivered at the May 2009 Board meeting. Mr. Byone stated that he expected that the new ETC presented would be improved relative to the current budget. Mr. Byone made clear that the new ETC presented at the May 2009 meeting would not be “budget quality” until the FMO has had the opportunity to review in detail and that the PMO could then iterate until the CTO, CFO, PMO and FMO were all satisfied with ETC robustness and quality. He cautioned that there was a considerable amount of work to be completed to improve Nodal financial processes and the team was engaged in a continuous process of improvement, but that he believed that the Nodal Program was now on a path to greater transparency and quality of financial information. Mr. Byone advised that the Nodal PMO planned to introduce Earned Value at the June 2009 Board meeting noting that this measure was designed to link completion of Program activities to spending. He continued on sharing some of his initial observations – large, complex and manually-intensive spreadsheets were utilized for the Nodal financial reporting and budgeting processes; ERCOT accounting systems were not designed for large-scale project accounting and require significant, error-prone manual processes; there was a lack of conceptual consistency and inconsistent reporting during transition between budgets; there was significant miscommunication and/or incomplete processes between ERCOT Accounting and Project Managers/Nodal Controllers; and the Nodal Program financial skills require improvement.

Mr. Byone then provided the budget transition recap contained in the Board materials and reported variances in spending since the fourth quarter of 2008. He reminded the Board that the initial budget of \$660 million, presented in the fourth quarter of 2008, included a preliminary contingency of \$39 million. He further stated that, during the period from October 2008 through the February 2009 Board meeting, certain differences between actual spend and re-budgeted spend were reflected in the February 17, 2009-approved budget as adjustments to the contingency balance. Accordingly, he explained that an “underspend” (relative to the new budget) of \$7.93 million as had previously been reported for the fourth quarter of 2008, and other downward adjustments to the Nodal budget from October to December 2008, caused the



contingency amount in the budget to be increased from \$39 million in the initial budget to \$58.6 million in the approved budget. He noted that the January through March 2009 “underspend” had been set aside, was being tracked and would be subject to the Board-approved contingency management process.

He then explained that due to the unexpected acceleration of the Nodal budget approval process during January 2009, certain estimates were used for 2008 spending. Specifically, the February 17th budget presented for Board approval – which was distributed to the Board in advance of their special meeting on January 21, 2009 -- included *estimated* December 2008 spending since at the time the Nodal budget package was prepared, ERCOT’s 2008 books had not yet been closed and audited. Mr. Byone went on to explain that during the final closing process additional 2008 Nodal expenditures totaling \$4 million had been recorded. He then explained that since the contingency was being adjusted by “underspend” during the October-December 2008 timeframe and that the December 2008 “underspend” had been overstated based upon the preliminary year-end close amounts, one way to correct for use of the estimate was to reduce the contingency by the \$4 million. Commissioner Nelson cautioned about using “underspend” terminology when the budget had been exceeded and about modifying the contingency amounts, which she viewed akin to spending the contingency funds, a process that now requires Board justification and approval. She also noted that she was surprised there was no room in the budget to absorb the \$4 million adjustment.

Chairman Newton mentioned that she was pleased that Mr. Byone and his team were working with Mr. Cleary and the Nodal team and that the Board’s biggest concern is that the budget numbers are finalized now. Mr. Byone advised that his team is finding issues, that he could not say at this time that new issues would not be found, that he was expecting to review the new ETC measures from the PMO during May and Earned Value during June 2009. He continued stating , that the process of getting all issues uncovered will take time, and that he expected the quality of the numbers to improve over the next few months. Commissioner Nelson expressed her concern that ERCOT had lost credibility, particularly when an application based on this financial information has been filed with the Commission. Chairman Newton advised that she felt confident with the overall budget and that the current issue was one of tracking dollars. Mr. Cleary mentioned that the overall budget estimate is currently \$643.8 million, that more rigor and control will be exerted over the spend, and that ERCOT had a duty to manage the budget correctly. He added that he expected that the numbers will continue to move within the overall budget and that ERCOT will be transparent about any changes.

Commissioner Kenneth Anderson inquired as to the timing of a budget-quality process being in place and with the numbers confirmed. Mr. Byone replied that he was highly confident in the numbers reported for actual spend, but he was less confident about the ability to forecast the future costs and expected to have a budget quality process in place within the next 90 days. Mr. Cleary mentioned that an ETC and complete risk profile would be presented at the May 2009 Board meeting. Andrew Dalton asked whether the total budget number ERCOT filed in the Nodal fee case is accurate. Mr. Cleary replied affirmatively. Mr. Dalton stated his strong desire that the contingency funds should not be touched unless and until absolutely necessary, and asked why the \$4 million issue is not being handled within project budgets. Mr. Kahn noted that ERCOT staff wanted to be completely transparent with the Board. Mr. Ballard asked if there



were other options for treating the \$4 million adjustment. Mr. Cleary responded that ERCOT could net it against the much larger dollar amount generated during January – March 2009 that ERCOT staff had been tracking pending the contingency management process. Mr. Ballard and Chairman Newton expressed their agreement with that approach. Commissioner Nelson advised that she believed that the budget was inflated to avoid coming back to the Commission for additional funds. She commented that she had faith in Mr. Cleary, but she was concerned that Mr. Byone was not plugged into the budget process until Mr. Cleary assumed responsibilities for the Nodal Program. Mr. Cleary clarified that the contingency in the approved budget was not calculated correctly and that this was an issue of miscalculation, not mismanagement of the project. Commissioner Anderson noted that the \$4 million should be netted against the 2009 underspend and that dipping into the contingency at this time should be avoided. Mr. Byone concluded his presentation and advised that the actual budget as filed was reduced from \$658.7 million to \$643.8 million due to the move to a 40 percent-equity rate and the resulting interest savings. Chairman Smitherman noted that the Board's action to adjust the debt-to-equity ratio saved millions off the project.

Special Nodal Program Committee Report (Agenda Item 7)

Mr. Helton delivered the Special Nodal Program (SNP) Committee Report. He noted that the Committee considered three items in executive session, received a report from Utilicast, and also discussed Market Participant-ERCOT communication and recent Nodal staffing changes. He then introduced Dave Turner of Utilicast to deliver Utilicast Report #10.

Utilicast Nodal Program Review Including Report #10 (Agenda Item 7a)

Mr. Turner noted that this report focuses on IT infrastructure and integration readiness, and that Report #10 had concluded that IT is providing sufficient support overall but that certain discrete issues require management attention. David Luedtke of Utilicast then reported on end-to-end readiness, noting risks related to: the Market Management System (MMS); testing, in that each program using its own test data rather than a unified set; and vendor relations, specifically surrounding defect resolution. In discussing a question from Chairman Smitherman, Mr. Cleary and Mr. Luedtke agreed that MMS is a more critical and high-risk program than is credit management. Messrs. Ballard, Cleary, Armentrout and Helton discussed Nodal and advanced metering resource-usage coordination issues, and Mr. Ballard requested that the Board be informed immediately if a serious conflict arises.

Lunch (Agenda Item 9)

The Board broke for lunch at 12:05 p.m. and reconvened at 1:05 p.m.

Minutes (Agenda Item 3)

Mr. Grable distributed amended draft minutes for discussion. Mr. Helton moved approval, and Mr. Wilkerson seconded. The motion passed with one abstention (Mr. Thomas).

Technical Advisory Committee Report (Agenda Item 8)



Chairman Newton invited Mark Bruce, TAC Chair, to report on recent TAC activities.

Technical Advisory Committee: Protocol Revision Request (PRR768) (Agenda Item 8a)

In addition to PRR768, PRRs 803 and 804 were removed from the Consent Agenda and taken up under this item.

With respect to PRR768, Mr. Crowder disclosed that this PRR had been submitted by AEP, but that Mr. Grable had advised him that did not require Mr. Crowder to recuse himself from voting on the item. Mr. Kahn moved approval of PRR768. Dr. Patton seconded. The motion passed by unanimous voice vote.

With respect to PRR803, Mr. Bruce noted that its changes had been recommended years ago by David Patton, and Mr. Saathoff and Mr. Helton agreed that it should have positive operational impacts by smoothing balancing ramping.

With respect to PRR804, Mr. Bruce noted that this PRR is intended to resolve the “limbo” issue. Mr. Fehrenbach discussed limited but important redlining that he had worked out with ERCOT Staff and distributed in redline form. He and Mr. Dalton discussed suspension of work during an appeal, and Mr. Helton commented that this language is better but has no safety valve for a “hair on fire” situation where an appellant may need immediate relief. Dr. Patton moved approval, and Mr. Crowder seconded. The motion passed by voice vote with one abstention (Mr. Ballard). Following the vote, Mr. Fehrenbach asked if a motion to table remained an appealable event, and Mr. Grable replied that the relevant language had not changed, so his advice to the Board would be that it did remain appealable.

Returning to PRR803, Dr. Patton moved approval and Mr. Karnei seconded. The motion passed by unanimous voice vote.

Mr. Bruce then reported that ERCOT’s newly requested closely related elements (CREs), two Commercial Operations Market Guide Revision Requests (COPMGRRs), a system change request (SCR), and the 2009 TAC Goals had also been approved at the April TAC meeting.

Technical Advisory Committee: Nodal Protocol Revision Request (NPRR149) (Agenda Item 8b)

This NPRR was approved on the Consent Agenda under Agenda Item 2. No further discussion occurred.

Technical Advisory Committee: System Change Request (SCR754) (Agenda Item 8c)

This SCR was approved on the Consent Agenda under Agenda Item 2. No further discussion occurred.



Technical Advisory Committee: Reliability Strategies and Renewable Generation, including Wind Metrics Discussion (Agenda Item 8d)

Dr. Patton queried Mr. Bruce about the December 2008 Board approval of PRR777 and why TAC had not approved new underlying metrics within 120 days. Mr. Bruce replied that PRR777 did not remove any metrics, and that the last filing on PRR800, the relevant vehicle to approve metrics, was a Texas RE filing requesting further delay. Ms. Newton commented that she appreciated the information but that Dr. Patton's point was valid, and Mr. Wilkerson noted that he voted for PRR777 specifically because of the promise of new metrics coming quickly. Messrs. Ballard, Dalton, Armentrout, Patton, Gent, and Helton and Ms. Newton discussed the delay and the advisability of Texas RE Staff drafting language on this issue, with Mr. Gent stating that it is problematic and Mr. Helton recommending against it unless it were fully vetted through the stakeholder process afterward.

Mr. Bruce then reported on unfunded projects, of which there are none, and on PRR791, which remains tabled pending Commission action. Dr. Patton then asked about ancillary-service cost allocation, which Mr. Bruce confirmed has been referred to the Renewable Technologies Working Group (RTWG), and Dr. Patton stated that because such cost allocation is not set by Commission rule but rather controlled by ERCOT, that he wanted action on that issue.

Finance & Audit (F&A) Committee Report (Agenda Item 10)

Mr. Karnei, F&A Committee Chair, reported on the F&A Committee's meeting earlier in the day. He noted that the Committee reviewed the Internal Audit (IA) Charter and worked on several other IA items; reviewed a draft Market Credit Risk Standard that is expected to come to the Board in May 2009; reviewed with approval the financial irregularity reporting standard; and discussed the current Nodal Surcharge docket, the status of ERCOT investments, the 2009 financial forecast, ERCOT contract administration.

Finance & Audit (F&A) Committee: 2008 Audited Financial Statements (Agenda Item 10a)

Mr. Karnei presented the audited financial statements, as amended during the morning Committee meeting. Mr. Karnei moved to approve and Mr. Helton seconded. The motion passed by unanimous voice vote.

H.R. & Governance Committee Report (Agenda Item 11)

Mr. Armentrout, H.R. & Governance (HR&G) Committee Chair, reported on the HR&G Committee's meeting earlier in the day. He noted that the Committee: received an External Relations Update; found the ERCOT Staff merit plan (3 percent merit adjustment with 1 percent more for adjustments and promotions) to be well managed; discussed the ERCOT-Texas RE relationship and the possibility of separation; and reviewed human-resource matters. Mr. Ballard mentioned pending legislation that could place ERCOT under special-purpose Sunset Commission review, and Ms. Newton agreed that this is a topic that bears close monitoring.



H.R. & Governance Committee: Legislative Update (Agenda Item 11a)

In the interest of time, Ms. Newton asked if there were questions for Theresa Gage, ERCOT Government Relations Manager. There were no questions.

Board Member Vendor-Relationship Disclosures Discussion (Agenda Item 12)

Ms. Newton opened this discussion by noting that disclosures made to the ERCOT Legal Department in advance had been included in the Board Packet materials. Mr. Grable commented that none of those disclosures caused him to be concerned about actual or apparent conflicts of interest at this point in time. Mr. Armentrout disclosed that a proposed 501(c)(3) organization in North Texas had approached him about being an uncompensated Board Member, with an objective of forming a research institute to further the development of sustainable technologies.

Other Business (Agenda Item 13)

Chairman Newton asked for any other business for the Board to consider. Mr. Grable commented that Mr. Ballard had questioned ERCOT's status under the Sarbanes-Oxley law, and research had confirmed Mr. Grable's initial opinion that ERCOT is subject to limited provisions of Sarbanes-Oxley as a private entity, and that the extent of Sarbanes-Oxley oversight did not change as ERCOT transitioned between subsections of Section 501(c) of the Internal Revenue Code. Mr. Espinosa and Mr. Grable further discussed that the newly changed IRS Form 990 is vastly more complex and detailed.

In response to an inquiry about the status of a new change request to increase ERCOT ISO's vote on the Texas RE Reliability Standards Committee from $\frac{1}{4}$ to 1, Mr. Grable reminded the Board that the initial change creating even the $\frac{1}{4}$ vote still required approval by both NERC and FERC, and therefore it would not be appropriate to file to modify it yet, although ERCOT Staff will do so as soon as the federal approvals are complete.

Future Agenda Items (Agenda Item 14)

Chairman Newton invited discussion on any future agenda items. The Board added a wind-discussion item.

Executive Session (Agenda Item 15)

Chairman Newton adjourned the meeting to Executive Session at approximately 2:50 p.m. She reconvened the meeting to General Session at approximately 5:12 p.m.

Vote on Matters from Executive Session (Agenda Item 16)

Chairman Newton called for a vote on matters from Executive Session. Mr. Espinosa moved approval of the two contract matters discussed under Executive Session Item 16(e), and Mr. Karnei seconded. The motion passed by voice vote with one abstention (Mr. Armentrout). Mr.



Helton moved approval of the litigation-action matter discussed under Executive Session Item 16(c), and Mr. Espinosa seconded. The motion passed by unanimous voice vote.

Adjournment (Agenda Item 17)

Chairman Newton adjourned the meeting at approximately 5:15 p.m.

Board materials and presentations from the meeting are available on ERCOT's website at <http://www.ercot.com/committees/board/index.html>.

Michael G. Grable
Corporate Secretary