

Date: June 8, 2009
To: Board of Directors
From: Larry Grimm, CEO & Chief Compliance Officer
Subject: Approval of Memorandum of Understanding (MOU)

ERCOT Board of Directors Meeting Date: June 15, 2009

Agenda Item No.: 5b

Issue:

Approval of the Amended Memorandum of Understanding between Texas Regional Entity (Texas RE) and Electric Reliability Council of Texas, Inc. (ERCOT).

Background/History:

Some of the administrative services provided by ERCOT to Texas RE have changed in 2009, primarily because of Texas RE's move to a separate office space. Due to these changes, Texas RE and ERCOT have negotiated amendments to the January 1, 2008 Memorandum of Understanding (MOU), which Texas RE and ERCOT propose be effective as of February 16, 2009 (Texas RE's move occurred in mid-February). The proposed Amended Memorandum of Understanding (Amended MOU), with redlines showing the proposed changes, is attached hereto as Exhibit A and is incorporated herein for all purposes. Texas RE and ERCOT believe that the rates and amounts that Texas RE has agreed to pay ERCOT under the Amended MOU are reasonable.

If the Amended MOU is approved by the Board, Texas RE requests that Larry Grimm be authorized to sign the Amended MOU, and Texas RE and ERCOT will proceed under this Amended MOU, with an effective date of February 16, 2009 (for accounting purposes). Texas RE and ERCOT anticipate Texas RE will pay ERCOT approximately **\$936,625** for the period February 16 – December 31, 2009 (for 32 employees) under the Amended MOU, including **\$262,000** for the Terrace office space.

Texas RE must identify and describe in its 2010 Business Plan and Budget (1) any services it receives from ERCOT employees (other than Texas RE employees), (2) any employees Texas RE shares with ERCOT, and (3) any other shared expenses, reimbursement of expenses, or other payments Texas RE pays to ERCOT. These disclosures are required to allow NERC and FERC to review the costs paid to ERCOT and confirm Texas RE's independence from ERCOT, since ERCOT is a registered entity. Texas RE intends to include the Amended MOU (or a summary thereof) in its 2010 Business Plan and Budget. Texas RE anticipates the Advisory Committee will recommend the Board approve this Amended MOU.

Key Factors Influencing Issue:

- The need to document the agreements between ERCOT and Texas RE for the provision of and payment for services and the NERC and FERC requirement that Texas RE justify the cost of goods, leases, or services obtained from ERCOT
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Alternatives:

- Approve the Amended MOU
- Modify Amended MOU

Conclusion/Recommendation:

Texas RE respectfully requests the Board approve the Amended MOU as negotiated by Texas RE and ERCOT staff, with no material changes, and requests that Larry Grimm, Texas RE CEO, be authorized to sign the Amended MOU, with no material changes.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the Board of Directors of Texas Regional Entity, a division of the Electric Reliability Council of Texas, Inc., a Texas non-profit corporation ("Board") has reviewed the Amended Memorandum of Understanding negotiated by Texas Regional Entity and Electric Reliability Council of Texas, Inc. with effective date January 1, 2009, which is attached hereto as Exhibit A and incorporated herein for all purposes, and has determined that the terms agreed to by the parties are reasonable; and

WHEREAS, the Board of Directors of Texas Regional Entity, a division of the Electric Reliability Council of Texas, Inc., a Texas non-profit corporation deems it desirable and in the best interest of Texas Regional Entity to approve this Amended Memorandum of Understanding between Texas Regional Entity and Electric Reliability Council of Texas, Inc., subject to approval by NERC;

THEREFORE be it RESOLVED, that the Board hereby approves the Amended Memorandum of Understanding which is attached hereto as Exhibit A and incorporated herein for all purposes;

Be it FURTHER RESOLVED that Larry Grimm is authorized to sign this Amended Memorandum of Understanding with Electric Reliability Council of Texas, Inc. and to include a copy of the Amended Memorandum of Understanding in its filing(s) with North American Electric Reliability Corporation and the Federal Energy Regulatory Commission.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the June 15, 2009 Texas Regional Entity Board of Directors Meeting, the Board of Directors of Texas Regional Entity approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 2009.

Susan Vincent
Corporate Secretary