

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

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

October 19, 2009

Directors

Jan Newton, Chair		Unaffiliated
Michehl Gent, Vice Chair		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas (PUC)	
Mark Armentrout		Unaffiliated
Laurie Barker ¹	Office of Public Utility Counsel (OPUC)	Residential Small Consumer
Andrew Dalton	Valero	Industrial Consumer
Miguel Espinosa		Unaffiliated
Nick Fehrenbach	City of Dallas	Commercial Consumer
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor Electric Delivery	Investor-Owned Utilities
Bob Kahn	ERCOT	
Clifton Karnei	Brazos Electric Cooperative	Cooperative
A.D. Patton		Unaffiliated
Jean Ryall	Constellation Energy	Independent Power Marketer
Dan Wilkerson	Bryan Texas Utilities	Municipal

Segment Alternates

Steve Bartley	CPS Energy	Municipal
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Other Attendees (Attending in person)

Larry Grimm, Texas RE CEO & CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Derrick Davis, Texas RE Corporate Counsel
 Jeff Whitmer, Texas RE Manager, Compliance Enforcement (via telephone)
 Elaine Conces, Texas RE Manager, Information Technology (via telephone)
 Betty Sachnik, Texas RE Executive Assistant
 Sarah Hensley, Texas RE Standards Coordinator
 Jennifer Taylor, Texas RE Paralegal
 Judith James, Texas RE Manager, Reliability Standards
 Eric Goff, Reliant Energy
 Mark Bruce, MJB Energy Consulting
 Jennifer Windler, LCRA
 Kip Fox, AEP
 Wendell Bell, TPPA

¹ Don Ballard designated Laurie Barker as his Alternative Representative for this meeting.

DeAnn Walker, Centerpoint Energy
Adrienne Brandt, Austin Energy
Henry Durrwachtor, Luminant
Kenan Ogelman, CPS Energy
Lea Anne Porter, ERCOT ISO
Kenan Ogelman, CPS Energy
Note: Other attendees attended by publicly available conference call

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity (Texas RE) Board of Directors (Board) convened on October 19, 2009. Chair Jan Newton ascertained that a quorum was present, reviewed the Antitrust Admonition with the Directors, and called the meeting to order at approximately 3:38 p.m.

Approval of Previous Minutes

Miguel Espinosa made a motion to approve the minutes of the September 14, 2009 Board meeting; Bob Helton seconded the motion. Mr. Espinosa and Mr. Helton agreed to a friendly amendment by Charles Jenkins to revise these minutes to correct his company's name to Oncor Electric Delivery. The motion passed by unanimous voice vote.

CEO Report

CEO Larry Grimm provided the Board with a brief information technology update and discussed the Texas RE website statistics which are located behind tab 3 in the Advisory Committee materials. Michehl Gent commented on the importance of the website and the Texas RE Compliance Portal. Mr. Grimm also informed the Board that registered entities subject to the North American Electric Reliability Corporation (NERC) critical infrastructure protection (CIP) Standards can now submit Technical Feasibility Exceptions (TFEs) applicable to 12 CIP Standard Requirements and that the TFE request form is currently available on the portal. Mr. Grimm noted that registered entities in Tables 1, 2, and 3 of the CIP Implementation Plan have until January 31, 2010 to submit TFE requests. In response to Mr. Gent's question about whether Texas RE had received any TFE requests, Mr. Grimm responded that none had been filed but it had only been a week since the process had been implemented. Mr. Grimm discussed two recent Federal Energy Regulatory Commission (FERC) actions at its October 15th meeting, including (1) FERC's approval of Texas RE's 2010 Business Plan & Budget, (requiring two minor clarifications that Texas RE is working with NERC to re-file within 60 days); and (2) FERC's approval of the Army Corps of Engineers Notice of Penalty, which confirmed FERC's jurisdiction to enforce reliability standards against federal entities that are users, owners or operators of the bulk power system. Mr. Grimm noted that FERC did not rule on whether or not penalties could be assessed against federal governmental entities. Mr. Gent discussed the ruling with Mr. Grimm. In response to Mr. Gent's question about the number of unresolved violations in the ERCOT region, Mr. Grimm responded he was not certain of the number, but stated he could obtain the information from the Violation Tracking Report in the materials.

A.D. Patton commented that the September minutes included Andrew Dalton's motion regarding a partial delegation, but he had not seen any action on the motion. Susan Vincent responded that there was a handout on the alternative proposal available to the Board, which was not included in the materials. Mr. Dalton explained that he had received the document, but had

been busy and not able to respond to Texas RE staff before the meeting, but he did not believe it would have changed Texas RE staff's recommendation to the Board.

Operating Reports

Chair Newton asked if any Directors had questions about the Compliance, Violation Tracking, or Standards reports, but received no questions.

Texas RE Advisory Committee Report

Mr. Gent provided the Board with an overview of the Advisory Committee meeting. He discussed the extension of the Delegation Agreement and the need to change the effective date.

Michehl Gent made a motion to modify the effective date of the current Delegation Agreement with NERC to May 2, 2007 and to extend the Delegation Agreement with NERC to May 2, 2011. Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Mr. Gent summarized the bylaws to the Board and recommended that the Board approve the bylaws as amended. Mr. Gent explained that the Advisory Committee's recommended amendment to the bylaws proposed by Texas RE staff would permit an independent director to be affiliated with (own stock or be employed by) any registered entity that was not a registered entity or market participant in the ERCOT region.

Michehl Gent made a motion to approve the bylaws as amended. A.D. Patton seconded the motion. Motion failed, with Andrew Dalton, Laurie Barker, Charles Jenkins, Nick Fehrenbach, and Jan Newton voting against.

Laurie Barker made a motion to approve the bylaws with an amendment to include a sector for non-registered in addition to the current sectors. Mark Armentrout seconded the motion.

Mr. Dalton suggested that a registered entity should have the right to forgo its applicable registered entity segment and choose to opt into a consumer group segment. Bob Helton disagreed and questioned why a registered entity would consider itself more adequately represented by a consumer segment than by the segment for which it was registered. The Board discussed the proposed amendment. **Mark Armentrout withdrew his second for Ms. Barker's motion.**

Charles Jenkins explained that the reason why he voted against the previous motion to approve the bylaws was because of Dr. Patton's amendment. He questioned the reasoning for allowing a director from a registered entity outside of the ERCOT region to be considered an independent director. Mr. Jenkins commented that Dr. Patton's amendment may circumvent the Board's September decision to have four independent directors by casting some doubt on their independence. Dr. Patton stated that his intent was to make it easier for Texas RE to get qualified independent directors.

Mark Armentrout made a motion to approve the bylaws as they were presented in the materials without A.D. Patton's amendment. Clifton Karnei seconded the motion. Mark Armentrout, Miguel Espinosa, Michehl Gent, Bob Helton, Charles Jenkins, Clifton Karnei, Jean Ryall, Jan Newton, and Dan Wilkerson voted in favor. Nick Fehrenbach, Andrew Dalton, Laurie Barker opposed. A.D. Patton abstained.

Mr. Dalton stated he wanted to expand on why he voted against the motion, explaining it was because he is not convinced separation is appropriate or necessary, and the changes to the bylaws seem to be more about facilitating enforcement actions and not promoting reliability.

Financial Report (Q&A)

Mr. Gent generally discussed the Texas RE's financial statements with the Board indicating that there is one new employee (Paralegal), finances are in good shape, and revenues are ahead of expenses by a substantial amount, primarily because the office rent was less than budgeted, a personnel vacancy and less than expected legal expenses.

Separation Plan

Mr. Gent discussed the Separation Plan with the Board explaining that it shows the progression, the dates and processes involved with the separation.

Other Business

The Board discussed future board meetings. In response to Chair Newton's query if the next Board meeting should be held in February, Ms. Vincent responded that the Board had to approve the independent financial auditors prior to February. Chair Newton stated that there would not be a November Board meeting and that the next Board meeting would be held in December with a limited agenda. Chair Newton requested that for planning purposes the 2010 Board Schedule be sent out to Directors. Mr. Dalton requested that an exception be made so that the December Board meeting occurs the same day as the ERCOT ISO board meeting. Chair Newton explained that the concurrent meeting day would be reviewed by Texas RE staff. In response to Barry Smitherman's question about the need for an Advisory Committee meeting in November, Mr. Gent responded that if there were no compliance issues there was no need for an Advisory Committee meeting in November.

Adjournment

Chair Newton adjourned the Texas RE Board of Directors meeting at approximately 4:10 p.m.

Susan Vincent
Corporate Secretary