

## Proposed Separation Plan [December 4, 2009]

Topic	Issue	Details	Tentative	Complete
<b>A. Initial Governance Decisions</b>				
1.	Legal separation from ERCOT	Texas RE Board decision	6/15/09	10/19/2009
2.	Board Composition	<ul style="list-style-type: none"> <li>4 independent directors &amp; Texas RE CEO</li> <li>PUCT Chair and OPUC Public Counsel (ex officio non-voting)</li> <li>2 Affiliated (MRC chair &amp; vice chair)</li> </ul>	8/17/09	10/19/2009
3.	Membership Sectors	<ul style="list-style-type: none"> <li>Transmission</li> <li>Generation</li> <li>System Coordination</li> <li>LSE/PSE</li> <li>Municipal Utility</li> <li>Cooperative Utility</li> </ul>	8/17/09	10/19/2009
4.	Corporate name & Non-profit status	Texas Regional Entity 501(c)(3)	11/1/2009	10/19/2009
<b>B. Prepare for governance and legal changes</b>				
1.	Bylaws	Draft and obtain comments on 1 <sup>st</sup> draft	7/20/09 to 8/17/09	√
2.		Review comments on revised 2 <sup>nd</sup> draft	8/20/09 to 9/14/09	√
3.		Review Comments on 3 <sup>rd</sup> draft	10/19/2009	√
4.		Board Vote on bylaws draft (for submission to FERC as pre-filing)	10/19/2009	√
5.		Confirm "straw" membership acceptance (have pre-formation meeting to confirm intended membership sectors will approve proposed Bylaws prior to submission of pre-filing to FERC)	November 24, 2009	√
6.		Form new corporation to allow for membership vote approving bylaws	January 2010	
7.		Confirm with formal membership vote prior to filing with NERC Board of Trustees	January 2010	
8.	Delegation Agreement	Prepare delegation agreement modifications, per new bylaws – send out for comments	10/30/09	
9.	Obtain input from regulators	<ul style="list-style-type: none"> <li>PUCT (Executive Director, Chairman, Legal counsel)</li> </ul>	On-going	
10.		<ul style="list-style-type: none"> <li>NERC (CEO, General Counsel)</li> </ul>	On-going	December 7, 2009 Pre-filing; February 2010 formal filing
11.		<ul style="list-style-type: none"> <li>FERC (OER, OE, GC, and Chairman)</li> </ul>	6/10/2009	December 7, 2009 Pre-filing; February 2010 formal filing

12.	Determine Director Competencies	The Board as an entirety shall have familiarity with regional system operation issues in the ERCOT Region and reflect expertise in: <ul style="list-style-type: none"> <li>• Technical electric operations and reliability</li> <li>• Legal and/or senior corporate leadership</li> <li>• Financial and risk management</li> <li>• Regulatory matters</li> </ul>	In the Bylaws	√
13.	Find Directors	Retain search firm and source	12/09 – early 2010	
14.	Educate Directors	Prepare training materials and schedule meetings for training sessions	1/10 – start up	
<b>C. Prepare for Separate Operations</b>				
1.	Texas RE policies and procedures	Develop and adopt any needed additions	On-going	~April 2010
	Protocol Compliance	Transition Protocol compliance files and activities with PUCT <ul style="list-style-type: none"> <li>• Send current procedures to PUC (done)</li> <li>• Continue to perform Protocol compliance work through end of 2010</li> <li>• Work with PUCT staff to assist with its transition plan</li> <li>• Provide training for and transition files to new compliance entity</li> </ul>	Now through 12/31/2010	12/31/2010
2.	ERCOT equipment and administrative services	Transition <ul style="list-style-type: none"> <li>• Human Resources and Benefits</li> <li>• Membership services</li> <li>• Finance (accounting, treasury, etc.)</li> <li>• Information Technology</li> </ul>	On-going	~April 2010
3.	Transition contracts and other services	Transition contracts, equipment, software, etc.	Early 2010	1 <sup>st</sup> Quarter 2010