



**Date:** June 8, 2010  
**To:** ERCOT Board of Directors  
**From:** Steve Grendel, Director of Facilities and Site Development  
**Subject:** Approval of Assignment and Assumption Agreement with Texas Reliability Entity, Inc.

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** June 15, 2010

**Agenda Item No.:** 16a

**Issue:**

Approval of the Assignment and Assumption Agreement between Texas Reliability Entity, Inc. (TREI) and Electric Reliability Council of Texas, Inc. (ERCOT), effective no later than July 1, 2010, subject to final approval by ERCOT Legal and the ERCOT President and Chief Executive Officer (CEO).

**Background/History:**

TREI was formed as a Texas non-profit corporation on January 1, 2010 to become the successor regional entity to Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc. (Original Texas RE).

On May 6, 2010, the Federal Energy Regulatory Commission (FERC) approved the Texas Reliability Entity, Inc. Amended and Restated Delegation Agreement and Amended 2010 Business Plan and Budget, authorizing TREI to become the Regional Entity for the ERCOT region on July 1, 2010.

TREI and the North American Electric Reliability Corporation (NERC) have signed an Amended Delegation Agreement between TREI and NERC, effective July 1, 2010. On June 14, 2010, the Original Texas RE Board of Directors is expected to approve termination of the Delegation Agreement between Original Texas RE and NERC, effective June 30, 2010. TREI will take over the activities and responsibilities of Original Texas RE on July 1, 2010.

ERCOT and TREI propose to enter into an Assignment and Assumption Agreement to be effective as of June 30, 2010 whereby ERCOT will assign all of its assets and liabilities related to Original Texas RE to TREI and TREI will assume of the assets and liabilities of ERCOT that relate to Original Texas RE.

All tangible and intangible assets purchased by Original Texas RE with “statutory” funding from NERC are to be transitioned from ERCOT to TREI at no cost to be used for activities under TREI’s Amended and Restated Delegation Agreement. All liabilities and contracts of Original Texas RE, including the sublease agreement for the TREI office space, are also to be assigned by ERCOT to TREI. All furniture, equipment, and other tangible and intangible assets that were owned by ERCOT but used by Original Texas RE under its Memorandum of



Understanding with ERCOT will be purchased by TREI.

ERCOT staff respectfully requests that the ERCOT Board of Directors authorize the ERCOT President and CEO to enter into an Assignment and Assumption Agreement, subject to final approval by ERCOT Legal and the ERCOT President and CEO. ERCOT anticipates that the TREI Board of Directors will approve this Assignment and Assumption Agreement at its June 30, 2010 meeting.

**Key Factors Influencing Issue:**

The Assignment and Assumption Agreement is necessary for an orderly divestiture by ERCOT of the Original Texas RE as it transitions to TREI.

**Alternatives:**

ERCOT staff believes that there is only one viable alternative, that is, to approve the Assignment and Assumption Agreement between ERCOT and TREI, effective no later than July 1, 2010; however, the Board may consider deferring action on this matter which would may create significant issues for TREI in becoming the Regional Entity for the ERCOT Region on July 1, 2010.

**Conclusion/Recommendation:**

ERCOT staff respectfully requests that the ERCOT Board of Directors authorize the ERCOT President and CEO to enter into an Assignment and Assumption Agreement, effective no later than July 1, 2010, subject to final approval by ERCOT Legal and the ERCOT President and CEO.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the Assignment and Assumption Agreement between ERCOT and Texas Reliability Entity, Inc. (TREI), effective no later than July 1, 2010, subject to final approval by ERCOT Legal and ERCOT's President and Chief Executive Officer (CEO); and

WHEREAS, the Assignment and Assumption Agreement between ERCOT and TREI is necessary for an orderly divestiture by ERCOT of the Texas Regional Entity, an independent division of ERCOT;

THEREFORE, BE IT RESOLVED, that:

- (1) ERCOT is hereby authorized and approves the Assignment and Assumption Agreement between ERCOT and TREI, effective no later than July 1, 2010, subject to final approval by ERCOT Legal and ERCOT's President and CEO; and
- (2) An authorized officer(s) of ERCOT is hereby authorized to act on behalf of ERCOT and negotiate and execute in the name of and on behalf of ERCOT such contracts and documents and to take any other necessary actions in order to satisfy this resolution.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its June 15, 2010 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of June, 2010.

\_\_\_\_\_  
Bill Magness  
Interim Corporate Secretary