
**MINUTES OF THE
TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**
Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744
October 19, 2009

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas	
Mark Armentrout		Unaffiliated
Laurie Barker ¹	Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated

Other Directors and Segment Alternates

Steve Bartley	CPS Energy	Municipal
Andrew Dalton	Valero	Industrial Consumer
Nick Fehrenbach	City of Dallas	Commercial Consumer
Clifton Karnei	Brazos Electric Cooperative	Cooperative
Charles Jenkins	Oncor Electric Delivery	Investor Owned Utility
Jean Ryall	Constellation Energy	Independent Power Marketer

Other Attendees

Larry Grimm, Texas RE CEO and CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Elaine Conces, Texas RE Manager, IT (via telephone)
 Jeff Whitmer, Texas RE Manager, Compliance Enforcement (via telephone)
 Derrick Davis, Texas RE Corporate Counsel
 Betty Sachnik, Texas RE Executive Assistant
 Todd Brewer, Texas RE Senior Financial Analyst
 Sarah Hensley, Texas RE Standards Coordinator
 Jennifer Taylor, Texas RE Paralegal
 Mark Henry, Texas RE Manager, Audits
 Mark Bruce, MJB Energy Consulting
 Kenan Ogelman, CPS Energy
 DeAnn Walker, Centerpoint Energy
 Adrienne Brandt, Austin Energy
 Henry Durrwachtor, Luminant
 Kenan Ogelman, CPS Energy
 Lea Anne Porter, ERCOT ISO
 Eric Goff, Reliant
 Kip Fox, AEP

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

Note: Other attendees on publicly available conference call

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") convened on the above-referenced date. Chair Michehl Gent reviewed the Antitrust Admonition with the Committee, ascertained a quorum was present, and called the open session of the meeting to order at approximately 2:57 p.m.

Financial Report (Q&A)

Miguel Espinosa noted that Texas RE is required to pay North American Electric Reliability Corporation (NERC's) staffing expenses for the 2009 audit of ERCOT ISO. In response to Mr. Espinosa's question regarding expenses, Mr. Brewer explained that an apparent overage on Board expenses was a re-classification issue related to the Memorandum of Understanding with ERCOT (MOU). In response to Mr. Espinosa's question about the overall "underspend" amount to date (\$1.4 million), Mr. Brewer explained that the "underspend" amount resulted primarily from lower than expected rent, legal expenses, personnel vacancy savings (\$140,000), and the \$855,000 used to establish the cash reserves. Chair Gent and Mr. Brewer discussed the updated reforecast amount in the materials, and Mr. Brewer confirmed that there is a more favorable variance anticipated. Jan Newton noted that the wording of the Financial Report (on page 4 and page 6) indicating that the lower expenses caused lower revenues was confusing, and suggested that the reporting be simplified so it was easily understood, particularly because it was subject to audit.

Chair Gent stated that Texas RE should remove the labor hour variance from the monthly Financial Report. Dr. A.D. Patton commented that the variance in labor hours could be indicative of Texas RE's understaffing, which was important, but Chair Gent responded that it should be eliminated since the process for counting the labor hours could require detailed examination upon auditing.

Approval of Previous Minutes

Mark Armentrout made a motion to approve the minutes of the September 14, 2009 Committee meeting; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Human Resources & Governance Issues

Recommendation of Bylaws for Separate Texas RE

Mark Armentrout summarized the status of the bylaws with the Committee. In response to Mr. Armentrout's question about the next steps for the bylaws, Ms. Vincent responded that, after Texas RE Board (Board) approval, the bylaws would go to the membership for a straw vote followed by a formal vote by the new entity membership. Dr. Patton stated that the prohibited affiliation with non-ERCOT region NERC registered entities for independent directors was unnecessarily restrictive and requested that it be relaxed. Ms. Vincent stated that she was not clear if including directors with such an affiliation as independent directors would be acceptable

to the Federal Energy Regulatory Commission (FERC) and that ReliabilityFirst Corporation had taken a similar stance in its bylaws. Chair Gent stated that he agreed with Dr. Patton and indicated he did not think that FERC would notice this as an issue. Chairman Barry Smitherman asked, for purposes of clarification, whether it was intended that an independent director could own stock in Pacific Gas and Electric Company (PG&E), for example, and Jan Newton asked if a person could be an employee of a registered entity outside of the ERCOT region and also become an independent director. Dr. Patton said that this was his intent. Ms. Vincent stated that the directors may not be considered independent by FERC; so, such directors would need to be balanced on the Board, from a stakeholder perspective. In response to Ms. Vincent's question about the course of action if FERC disapproves of Dr. Patton's proposed changes to the bylaws, Mr. Armentrout responded that it should be brought back to the Committee. Larry Grimm expressed concern about the possible conflict by individuals represented to be "independent directors". Mr. Armentrout requested that the proposed resolution include a friendly amendment from Dr. Patton.

Laurie Barker stated that it is important that there be a membership segment for end-use consumers and in her opinion there was a significant difference between the NERC bylaws and the proposed Texas RE bylaws. Ms. Vincent responded that an earlier version included an applicable sector but it had been removed through a straw vote. She noted that NERC has additional stakeholder duties that the new Texas RE would not have. Ms. Barker stated that the proposed bylaws are limiting and do not support the policies and bylaws of NERC. In response to Mr. Armentrout's question about whether the other regional entities have a consumer membership, Ms. Vincent responded that some do and some do not. Mr. Grimm described how some other regional entities and NERC have other stakeholder business outside of the compliance arena.

Mr. Armentrout suggested that there be two votes one with a friendly amendment from Dr. Patton and one with the friendly amendment from Ms. Barker to restore the consumer segment. In response to Chairman Smitherman's question clarifying whether an independent director can own equity or bonds in a non-ERCOT utility, Chair Gent responded affirmatively. Chair Gent stated that the vote is to approve the bylaws with Dr. Patton's amendment.

Mark Armentrout made a motion to approve the bylaws with A.D. Patton's amendment to allow independent directors to be affiliated with NERC registered entities outside of the ERCOT region. A.D. Patton seconded the motion. The motion passed with Jan Newton and Laurie Barker voting against.

Mark Armentrout made a motion to approve the bylaws including Dr. Patton's previously approved amendment and including a requirement that Texas RE staff include a non-NERC registered entity sector to the proposed bylaws. Laurie Barker seconded the motion. The motion failed, with Laurie Barker, Miguel Espinosa, and Michehl Gent voting in favor and Mark Armentrout, Jan Newton, and A.D. Patton voting against.

In response to Chairman Smitherman's question regarding what Texas RE staff should do if FERC's position is that Dr. Patton's amendment is not satisfactory, Mr. Armentrout and Chair Gent agreed that all significant FERC requested changes to the proposed bylaws should be brought to the Committee at one time.

Delegation Agreement

The Committee briefly discussed the need to extend the Delegation Agreement and modify the effective date to be the same as the other regional entities. Chair Gent requested a motion to extend the Delegation Agreement. In response to Ms. Newton's question about the need for an extension, Mr. Grimm responded that it is a matter of timing and that much discussion and

negotiations needed to be completed before it could start and the filing made.


Miguel Espinosa made a motion to modify the effective date and extend the Delegation Agreement for one year, as described in the materials. A.D. Patton seconded the motion. The motion passed by unanimous voice vote.

Separation Plan

Chair Gent asked the Committee for any comments on the Separation Plan. In response to Chair Gent's question about the dates shown in red, Ms. Vincent explained that these were dates that Texas RE was not sure it would be able to meet.

Adjournment

Chair Gent adjourned the open session of the Texas RE Advisory Committee at approximately 3:37 p.m.



Susan Vincent
Corporate Secretary