

**BOARD POLICIES AND PROCEDURES  
APPROVED BY THE TEXAS RELIABILITY ENTITY, INC.  
BOARD OF DIRECTORS  
ON DECEMBER 5, 2018**

<b>I.</b>	<b>DEFINITIONS .....</b>	<b>2</b>
<b>II.</b>	<b>MEETING PROCEDURES AND MEETING MINUTES.....</b>	<b>2</b>
<b>III.</b>	<b>RESPONSIBILITIES OF THE BOARD OF DIRECTORS.....</b>	<b>3</b>
<b>IV.</b>	<b>DELEGATION OF AUTHORITY TO THE CHIEF EXECUTIVE OFFICER.....</b>	<b>4</b>
<b>V.</b>	<b>COMPENSATION AND EXPENSE REIMBURSEMENT FOR DIRECTORS.....</b>	<b>4</b>
<b>VI.</b>	<b>COMMITTEES .....</b>	<b>6</b>
<b>VII.</b>	<b>ETHICS COMPLAINT PROCESSING .....</b>	<b>6</b>
<b>VIII.</b>	<b>REVIEW AND REAFFIRMATION .....</b>	<b>7</b>

---

**I. Definitions**

The definitions included in the Bylaws of Texas Reliability Entity, Inc. (the Bylaws) are incorporated herein by reference.

**II. Meeting Procedures and Meeting Minutes**

- A. Regular meetings of the Board of Directors (Board) of Texas Reliability Entity, Inc. (Texas RE) shall be held at least quarterly at a date and time agreed to by the Board. Notice of each Board meeting shall be given consistent with the Bylaws.
- B. Agenda Preparation
  - 1. The General Counsel or his or her designee will send an email to all voting Directors, requesting meeting Agenda items, at least 20 days prior to the day the meeting Agenda must be posted.
  - 2. The CEO and General Counsel will confer with the Board Chair to finalize the Agenda at least three days prior to the day the meeting Agenda must be posted.
  - 3. The Bylaws currently require the Agenda and non-confidential materials to be posted five business days prior to a scheduled Board meeting, except for meetings called on shorter notice to discuss urgent matters.
- C. Meeting Minutes
  - 1. Approved meeting minutes shall be posted on Texas RE's website for at least one year following the date of the meeting, except for minutes of a closed executive session, which shall not be posted on the website.
  - 2. Meeting minutes should contain:
    - (a) The place, date, and time of meeting;
    - (b) A list of attendees and whether quorum was present;
    - (c) A statement regarding any action taken on minutes from prior meetings;
    - (d) A description of the substance of matters discussed (presentations and written materials may be referred to if otherwise available for viewing on the website or may be included as exhibits, if feasible); and
    - (e) A statement of all specific actions taken (including the moving and seconding party and, when any vote is not approved, identification of the individuals voting for and against or abstaining).
  - 3. Minutes are not a transcript of the meeting. The minutes should be in sufficient detail to apprise the reader of the general tenor and scope of the discussion (including minority positions), without attempting to record the statement or opinions of each person speaking.
  - 4. Once final meeting minutes are approved, Texas RE Personnel shall destroy all other notes concerning the meeting, other than those

intentionally kept by the Secretary of the Corporation or items otherwise required to be saved under other applicable law.

**III. Responsibilities of the Board of Directors**

- A. The Board shall manage the business and affairs of Texas RE in accordance with the Bylaws.
- B. The Board shall elect a CEO and approve a Corporate Secretary and such other officers as the Board deems necessary, in accordance with the Bylaws.
  - 1. The Board shall approve CEO compensation.
  - 2. The Board shall perform a market value review of the CEO compensation every two years.
  - 3. The CEO shall select the Corporate Secretary and all other officers, and the Board shall ratify the CEO's selection of all such officers.
- C. The Board shall establish committees as necessary to perform its responsibilities, pursuant to the Texas RE bylaws. Each Director shall, individually, have the following duties:
  - 1. Attend all regular and special meetings of the Board when notified, unless circumstances prevent the Director from attending;
  - 2. Consistent with the fiduciary duty of care in overseeing, monitoring, and supervising the affairs of Texas RE, prepare for and participate to the best of his or her ability in determination of policy and other matters coming before the Board;
  - 3. Set policy and make decisions in the best interest of Texas RE and the reliability of the bulk power system;
  - 4. Participate in the selection of the members of all committees and subcommittees of the Board;
  - 5. Adhere to the NERC Rules of Procedure and Texas RE Delegation Agreement;
  - 6. Not disclose to unauthorized people the confidential information of the Federal Energy Regulatory Commission (FERC), the North American Electric Reliability Corporation (NERC), Texas RE, a Registered Entity, or a Market Participant;
  - 7. Upon joining the Board and annually thereafter, sign the Texas RE Director Ethics Agreement;
  - 8. Handle any actual or potential conflict of interest in accordance with Article XIII of the Bylaws and in accordance with the Corporate Conflicts of Interest Policy; and,

9. Ensure that meeting minutes accurately reflect discussions and decisions.

D. The Board expressly reserves the following for Board approval:

1. Selection and approval of the CEO, and ratification of corporate officers selected by the CEO;
2. Approval of CEO benefits and compensation;
3. Selection of an independent auditor;
4. Authorization to commit funds greater than five hundred thousand dollars (\$500,000); and
5. All others matters reserved by the Bylaws.

**IV. Delegation of Authority to the Chief Executive Officer**

- A. Consistent with the Bylaws and the goals, objectives, policies, and specific directions of the Board, the CEO is responsible for carrying out the business activities of Texas RE. The CEO shall have the authority to execute contracts and agreements and take all other lawful actions, as he or she may deem expedient and proper in conducting the business of Texas RE, except as may be specifically limited by the Board.
- B. The CEO may delegate his authority to other Texas RE officers or employees in his discretion, except as limited by the Board.
- C. The CEO will annually present to the Board a proposed business plan and budget to carry out Texas RE's delegated and contracted duties and responsibilities, by May of the preceding year, or as otherwise directed by the Board.
- D. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made with candor in the evaluation of the conduct of the business of Texas RE.
- E. The CEO is responsible for bringing policy matters to the attention of the Board when changing conditions or regulatory expectations require Texas RE to significantly modify its current policies. In the discretion of the CEO, significant contracts, agreements, or other major decisions may be brought to the Board for specific approval.

**V. Compensation and Expense Reimbursement for Directors.**

- A. The Director Compensation Committee shall meet annually to consider and make a final determination, by simple majority vote, the compensation of the Independent Directors.
  1. Effective January 1, 2019, Independent Directors receive the following as annual fees (pro-rated for service of less than one year):

Annual Retainer	\$71,500
Annual Board Chair Retainer	\$11,000
Annual Board Vice Chair Retainer	\$ 5,500
Annual Committee Chair Retainer	\$ 8,250

2. The Annual Committee Chair Retainer is pro-rated monthly for non-standing committees. There is no annual or pro-rated Committee Chair Retainer paid to the Chair of the Director Compensation Committee.
3. The Annual Retainer(s) includes the following:
  - (a) In-person and conference call attendance at Texas RE Board and standing committee meetings and NERC MRC and Board meetings.
  - (b) Telephone calls to plan future meetings or to discuss a meeting agenda.
  - (c) Travel time to and from Board meetings.
  - (d) Board and standing committee meeting preparation.
  - (e) Optional attendance at industry meetings and events that are not Board-related or NERC Board-related.
  - (f) Ongoing electric industry continuing education.
  - (g) Participation in the Nominating Committee as described in Section 5(a) below.
4. Effective March 23, 2015, the compensation for Independent Directors serving on the Hearing Body is as follows:
  - (a) In-person attendance at hearing: \$2,000 per day.
  - (b) Conference call meeting or prehearing conference call: \$500 per call.
5. Effective January 1, 2017, the compensation for Independent Directors serving on the Nominating Committee is as follows:
  - (a) Activities related to the consideration of the re-nomination of a currently serving Independent Director and the annual recommendation regarding Board Chair and Vice Chair are included in the Annual Retainer.
  - (b) Activities related to the search for a replacement Independent Director or CEO:

- (i) In person attendance at a meeting: \$1,000 per day.
  - (ii) Conference call meeting attendance: \$500 per day.
- B. Expense Reimbursement.
  - 1. Affiliated Directors and ex-officio Directors are expected to be reimbursed by their employers for expenses incurred in performing Board activities. Any permitted reimbursement of such directors for extraordinary expenses must be approved by the CEO.
  - 2. Independent Directors shall be reimbursed by Texas RE for their reasonable out-of-pocket expenditures for attending meetings and conducting Texas RE business.

## **VI. Committees**

- A. All Board committees, except for the Nominating Committee, will have a Committee Charter approved by the Board. Board committees shall regularly report their activities to the full Board.
- B. The Board currently has the following standing committees: The Audit, Governance, and Finance Committee and the Director Compensation Committee.<sup>1</sup>
- C. The Board currently has the following non-standing committees: The Hearing Body, and the Nominating Committee.

## **VII. Ethics Complaint Processing**

- A. Texas RE and its employees should observe the highest personal and corporate standards of business conduct and ethics, as described in the Employee and Board of Directors Ethics Agreements.
- B. Texas RE will maintain a mechanism to allow employees, stakeholders, and the public to report (anonymously if desired) allegations of fraud, unethical business conduct, questionable or inappropriate accounting practices, violations of the Health Insurance Portability and Accountability Act (HIPAA), other violations of law, or violations of Texas RE Ethics Agreements. Such reports are referred to herein as “Ethics Reports.” Texas RE currently uses Ethicspoint.com as its reporting tool.
  - 1. All Ethics Reports shall be maintained confidentially and will be reviewed by the CEO and General Counsel. If any report names or makes an allegation about the CEO or General Counsel, such officer shall be restricted from seeing the report.
  - 2. The Chair of the Audit, Governance and Finance Committee shall receive copies of Ethics Reports naming or making an allegation about the CEO, General Counsel, or other corporate officer. The Chair will notify the other Directors regarding such Ethics Reports in executive session. The Audit,

---

<sup>1</sup> Establishment of the Director Compensation Committee is effective upon FERC approval of Texas RE's revised Bylaws.

Governance, and Finance Committee and Board will investigate any such Ethics Reports and will take appropriate action, if needed, regarding such Ethics Reports.

3. The CEO and Corporate Secretary shall provide a summary of all other Ethics Reports received to the Audit, Governance, and Finance Committee on a quarterly basis and to the Board on a semi-annual basis.

**VIII. Review and Reaffirmation**

The Board may amend this document at any time by a Board vote and resolution that complies with the Bylaws requirements, but at a minimum these Board Policies and Procedures shall be reviewed and reaffirmed every three years.