

**Draft MINUTES OF THE TEXAS REGIONAL ENTITY
FINANCE & AUDIT COMMITTEE MEETING**

Austin Met Center

9:40 A.M.

June 19, 2007

Pursuant to notice duly given, the meeting of the Texas Regional Entity Finance & Audit Committee convened at 9:40 A.M. on **June 19, 2007**. The Meeting was called to order by Clifton Karnei, who ascertained that a quorum was present.

Meeting Attendance

Committee members:

Clifton Karnei, Chair	Brazos Electric Cooperative	Cooperative	Present
Miguel Espinosa, Vice Chair	Unaffiliated Board Member	Unaffiliated Board Member	Present
Nick Fehrenbach	City of Dallas	Consumer	Present
R. Scott Gahn	Just Energy	Ind. Retail Electric Provider	Present
Michehl Gent	Unaffiliated Board Member	Unaffiliated Board Member	Present
Tom Standish	Centerpoint Energy	Investor-Owned Utility	Not Present
William Taylor	Calpine Corporation	Ind. Generator	Present
Dan Wilkerson	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Steve Bartley	CPS Energy	Municipal	Present
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider	Present

ERCOT staff and guests present:

Byone, Steve	ERCOT
Campbell, Cassandra	ERCOT
Grimm, Larry	Texas Regional Entity
Vincent, Susan	ERCOT
Westbrook, Susan	ERCOT
Wullenjohn, William	ERCOT
Doolin, Estrellita	ERCOT

At 9:35 AM, the Committee meeting was called to order.

TRE Budget workshop

Larry Grimm reported briefly on the Texas Regional Entity Budget Workshop held on May 17, 2007. In addition to ERCOT staff, the meeting was attended by representatives of approximately 10 market participants. Mr. Karnei inquired about documentation of answers provided by ERCOT staff to questions posed at the workshop, and Mr. Grimm stated the

questions were answered verbally, but were recorded in the minutes. Ms. Vincent agreed to post the minutes on the website.

Review and recommendation of the 2008 Texas RE Budget (Vote)

Mr. Grimm presented the proposed 2008 Business Plan and Budget for Texas RE to the Committee and requested that the Committee recommend the Business Plan and Budget to the Board. Mr. Grimm noted that the proposed \$4.1 million budget for 2008 is approximately 25 percent less than the amount approved for 2007. He also noted the reserve funding analysis reflected a projected under spending of approximately \$2.6 million, and that the reasons were primarily because some of the proposed projects included in the 2007 budget did not need to be completed; Texas RE was functionally separated instead of structurally separated; and the “go-live” date was moved from January 1, 2007 to June 18, 2007.

Michehl Gent made a motion to recommend to the ERCOT Board that the proposed 2008 Business Plan and Budget be approved; Miguel Espinosa seconded the motion. The motion passed unanimously.

Internal Audit Issues

Mr. Wullenjohn informed the Committee he had discussed with Sam Jones the propriety of having the ERCOT ISO’s Internal Audit department audit the operations of Texas RE. Mr. Wullenjohn explained he had eliminated any audits of Texas RE from his Audit Plan for 2007 and 2008, because Mr. Jones concluded that such activity could compromise the independence of Texas RE operations from ERCOT ISO operations.

Mr. Karnei asked whether it would be necessary to establish a separate EthicsPoint line for Texas RE matters. After discussion by the Committee, Ms. Vincent indicated that the EthicsPoint tool could be configured to address Texas RE matters separately, but that any Texas RE issues should be investigated and evaluated by different personnel than those who evaluate ISO issues. Ms. Vincent noted that the personnel who should evaluate Texas RE issues needed to be identified.

Adjournment

At 9:49 AM the Committee meeting was adjourned.

The next regular Committee meeting will be held on the morning of Tuesday, July 17, 2007.

Susan Vincent, Secretary