

**ERCOT ISO FINANCE & AUDIT COMMITTEE MEETING
GENERAL SESSION MINUTES
Met Center – Austin, Texas**

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on **February 19, 2008**. **Clifton Karnei** confirmed that a quorum was present and called the meeting to order at approximately **8:00 a.m.** The Committee met in Executive Session from **8:00 a.m. to 8:26 a.m.**

General Session Attendance

Committee members:

Cox, Brad	Tenaska Power Services	Independent Power Marketer	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Fehrenbach, Nick	City of Dallas	Consumer	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Jenkins, Charles	Oncor Electric Delivery	Investor Owned Utility	Present
Karnei, Clifton (Chair)	Brazos Electric Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy	Ind. Retail Electric Provider	Present
Wilkerson, Dan	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Bartley, Steve	CPS Energy	Municipal	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Baumgartner, John	KPMG
Brenton, Jim	ERCOT
Brewer, Todd	Texas Regional Entity
Byone, Steve	ERCOT
Coffing, Tim	Luminant
Doolin, Estrellita	ERCOT
Fouruier, Margarita	Competitive Assets
Kahn, Bob	ERCOT
Lester, Suzanne	ERCOT
Moseley, Cheryl	ERCOT
Petterson, Mike	ERCOT
Troxtehl, David	ERCOT
Vincent, Susan	Texas Regional Entity
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

Approval of Previous Minutes

Dan Wilkerson moved to approve the minutes for the **General Session of the Finance & Audit Committee** meeting held on **January 15, 2008**; **Nick Fehrenbach** seconded the motion. The motion passed unanimously.

OLIVER WYMAN Report Discussion

Clifton Karnei introduced the discussion of the Credit Evaluation Project Results by reciting two on-going action items decided on during the Special Meeting of the F&A Committee held

February 6, 2008: (1) update the Guarantee Agreement form, and (2) develop risk appetite statements. Cheryl Yager reported that the Credit Work Group would likely start the process of developing the risk appetite statements during its March meeting, but that multiple meetings may be required to finalize the statements. In response to questions by Brad Cox, Ms. Yager confirmed that an effort would be made to obtain input from TAC and PUC staff.

Forbearance Request

Cheryl Yager summarized the details of the decision template included in the board materials regarding the issue of whether ERCOT staff should require Market Participants to provide out-of-date financial statements or waive Market Participant breaches of Protocol § 16.2.8 for financial statements that should have been provided prior to February 1, 2008. Clifton Karnei noted that ERCOT must strictly enforce the Protocols going forward. Nick Fehrenbach agreed that there was not much value in obtaining old data, but suggested that some action should be taken against Market Participants that had violated the Protocol.

Dan Wilkerson moved to approve Staff's recommendation that the Board of Directors direct ERCOT Staff to exercise its discretion to waive action against Market Participants for the breach of their SFAs regarding Protocol § 16.2.8 as it existed before PRR744. Robert Thomas seconded the motion. The motion passed unanimously.

In response to Steve Byone's request, Ms. Yager explained some of the on-going practical issues related to PRR744. Specifically, she explained that ERCOT staff had not yet determined whether guarantees would be accepted from entities that did not meet ERCOT's credit standards. In response to a question by Dan Wilkerson regarding whether a document containing key information could be a suitable substitute for financial statements, Ms. Yager explained that the CWG had discussed the concept but had not resolved outstanding issues. Clifton Karnei directed ERCOT to review the issue with the CWG and get their input on the value of receiving financial statements from entities that do not meet ERCOT credit standards.

2007 Year-End Financial Results

Michael Petterson reported that preliminary year-end financial results were favorable and consistent with reporting throughout the year. He noted that recommendations regarding utilization of any favorable variance would be forthcoming after completion of the external audit scheduled for March/April 2008.

Nodal Filing Update

Steve Byone reported that work was progressing toward a filing with the PUCT on February 29, 2008 in accordance with the revised budget as approved by the Board.

2009 Budget Planning & Key Assumptions

Michael Petterson summarized the budget planning process and described the following schedule:

March 18, 2008	Preliminary 2009 budget review by F&A Committee
April 3, 2008	Special F&A Committee Meeting to review updated Budget
April 15, 2008	Board review of the 2009 budget recommended by the F&A Committee
May 20, 2008	Board approval of the 2009 budget anticipated

Michehl Gent voiced his concern that the budget materials included less information about operations than the market and the Nodal program. He also voiced concern about the responsibility "reliability and operational compliance standards and guide" being listed fourth among several others.

Texas RE Accounting

Michael Petterson reported that staff from the ERCOT ISO and TRE divisions continued to work towards documenting the support services that would be required for an audit. Miguel Espinosa asked whether there were any concerns with using the same audit firm for both divisions. Mr. Petterson noted that all ERCOT audits would be up for bid in 2009. Clifton Karnei suggested that PricewaterhouseCoopers opine on the independence of the TRE division.

Michael Petterson and Steve Byone reviewed the mechanics of the ERO/TRE budget process and fee payment structure.

Committee Briefs

Staff provided written reports with information for the following areas:

1. Market Credit Status
2. Internal Control Management Program (ICMP)
3. Enterprise Risk Management (ERM)
4. Project Management Organization (PMO)

Steve Byone highlighted several changes to the Risk Inventory "Stoplight" Report that had occurred during the previous month including changes for the following categories: Reputation, Customer Choice, and Bulk System Resources. In response to comments from Michehl Gent and Dan Wilkerson, Mr. Byone confirmed that senior management reviews the report monthly.

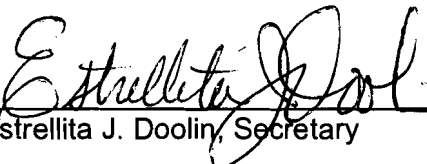
Future Agenda Items

Steve Byone noted the following future agenda items:

1. Standing Internal Audit status report(s)
2. Review of external auditor guidelines for engagement and external auditor independence
3. Report by Credit Work Group Chair on credit policy (if needed)
4. Update on Credit Wok Group credit risk recommendations
5. Update on annual financial audit
6. Preliminary review of 2009 ERCOT budget
7. Committee briefs

Adjournment

Clifton Karnei adjourned the Committee meeting at 9:32 a.m.



Estrellita J. Doolin, Secretary