

**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 **March 18, 2008**. **Clifton Karnei** confirmed that a quorum was present and called the meeting to order at approximately **7:45 a.m.** The Committee met in Executive Session from **7:45 a.m. to 9:12 a.m.** and again for a few minutes after the General Session and immediately before adjournment.

**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	Not 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
Crowder, Calvin	AEP	Investor Owned Utility	Present
Smitherman, Barry	PUCT	PUCT Chair	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Barry, Sean	PricewaterhouseCoopers
Bassett, Ryan	PricewaterhouseCoopers
Brenton, Jim	ERCOT
Brewer, Todd	Texas Regional Entity
Byone, Steve	ERCOT
Clay, Ryan	Texas Regional Entity
Doolin, Estrellita	ERCOT
Greer, Clayton	Jaron
Grimm, Larry	Texas Regional Entity
Haas, Jason	PUCT
Hancock, Misti	ERCOT
Kahn, Bob	ERCOT
Lester, Suzanne	ERCOT
Longsham, Kevin	Reliant Energy
Moseley, Cheryl	ERCOT
Petterson, Mike	ERCOT
Troxtehl, David	ERCOT
Twiggs, Thane	Direct Energy
Vincent, Susan	Texas Regional Entity

Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

**Approval of Previous Minutes**

**Nick Fehrenbach moved to approve the minutes for the Special Meeting of the Finance & Audit Committee held February 6, 2008 and the General Session of the Finance & Audit Committee meeting held on February 19, 2008; Michehl Gent seconded the motion. The motion passed unanimously.**

**Update on Credit Work Group Activities**

Cheryl Yager provided an update on activities by the Credit Work Group (CWG) including its review of the OLIVER WYMAN results, development of credit risk appetite statement and revisions to form guarantee agreements. Robert Thomas commended the CWG on its efforts to involve TAC in its activities.

Ms. Yager also reported that the CWG had discussed the issue of whether ERCOT should accept guarantees from entities that do not meet ERCOT's credit standards in order to accept parent financial statements, understanding that no unsecured credit would be granted. The CWG did not raise any concerns with that practice. Ms. Yager noted that, given that CWG had no objections, ERCOT staff planned to allow entities to provide a guarantee and provide parent financials. She also noted that ERCOT staff would use their judgment to ensure that reasonable value was received from the market or guarantees would not be accepted.

**Review of External Auditor Quality Control Procedures and Independence**

Sean Barry of PricewaterhouseCoopers (PwC) confirmed the firm's independence of ERCOT and the Texas RE. He also provided an overview of the audit firms' quality control processes.

**Update on Annual Financial Audit**

Mr. Barry of PwC reported that fieldwork for the 2007 financial audit was underway and that a final report was expected in April. In response to Clifton Karnei's question regarding how PwC could conduct a full audit of the Texas RE (since it is a division of the ERCOT corporation), Mr. Barry said PwC performed audit testing based on agreed upon procedures in 2007 and expected to audit to a service agreement between ERCOT, Inc. and the Texas RE for the 2008 audit. Steve Byone added that the service agreement had not yet been finalized.

**Preliminary Review of 2009 ERCOT Budget**

Michael Petterson distributed a handout and reported on the status of efforts by ERCOT staff to prepare the 2009 operating budget. He noted the following key dates/events:

Thursday, 4/3/08	Finance & Audit Committee Special Meeting
Tuesday, 5/20/08	Board Meeting – Approve Budget
Friday, 5/30/08	PUCT Fee Filing

Mr. Petterson and Mr. Byone responded to several questions. In response to Chairman Smitherman's comment about the growth rate assumption, Mr. Byone explained that the number tied to planning numbers which had been prepared by Bill Bojorquez and his group.

**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)

Cheryl Yager informed the Committee that the Risk Mitigation Report would be provided quarterly going forward instead of monthly. She confirmed that the Risk Management Event Profile Matrix ("Stop Light Report") would continue to be provided on a monthly basis.

David Troxtell noted that Ron Hinsley would present information about a large project during the executive session of the Board meeting.

#### **Future Agenda Items**

Steve Byone noted the following future agenda items:

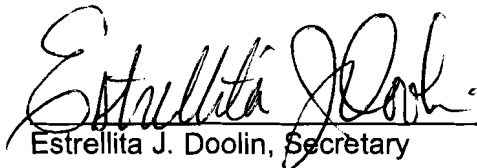
1. Standing Internal Audit status report(s)
2. Follow-up review and finalization of recommendation on 2009 budget, proposed fees and financial measures
3. Annual Financial Audit Update
4. Credit Work Group Update
5. Committee briefs

#### **Recess to Executive Session**

The Committee met in Executive Session for a few minutes after the General Session and immediately before adjournment.

#### **Adjournment**

Clifton Karnei adjourned the Committee meeting at 9:55 a.m.

  
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Estrellita J. Doolin, Secretary