

**ERCOT ISO FINANCE & AUDIT COMMITTEE
General Session MEETING MINUTES
Met Center – Austin, Texas**

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on **May 20, 2008**. **Clifton Karnei** confirmed that a quorum was present and called the meeting to order at approximately **8:15 a.m.** The Committee met in Executive Session from **8:15 a.m.** to **9:05 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	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:

Walker, Mark	NRG Texas	Independent Generator	Present
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ERCOT staff and guests present:

Anderson, Troy	ERCOT
Barry, Sean	PwC – via telephone
Brenton, Jim	ERCOT
Byone, Steve	ERCOT
Doolin, Estrellita	ERCOT
Goff, Eric	Constellation
Grable, Mike	ERCOT
Greer, Clayton	J. Aron & Company
Gross, Blake	AEP
Hancock, Misti	ERCOT
Hinsley, Ron	ERCOT
Lester, Suzanne	ERCOT
List, Amanda	Strategic Energy
Petterson, Mike	ERCOT
Stauffer, Tarra	ERCOT
Trostle, Kay	Chaparral
Troxell, David	ERCOT
Troutman, Jennifer	Direct Energy
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

Previous Minutes

Michehl Gent moved to approve the minutes for the Special Meeting of the Finance & Audit Committee meeting held April 3, 2008 and the General Session of the Finance & Audit Committee meeting held April 15, 2008 (as amended to reflect that Mr. Espinosa voted for himself and as proxy for Michehl Gent); Nick Fehrenbach seconded the motion. The motion passed unanimously.

Proposed 2009 Budget, Fees and Financial Performance Measures

Steve Byone and Mike Petterson referred to staff's recommended 2009 budget and noted line item changes made since the Board reviewed the budget in April. The changes, primarily due to updated information and staffing adjustments, did not affect the proposed System Administration Fee. Michehl Gent asked how projections related to the ERO were derived; Mr. Byone and Misty Hancock answered. **Dan Wilkerson moved to recommend that the Board approve the 2009 budget as presented in the Board materials; Miguel Espinosa seconded the motion. The motion passed unanimously.**

2007 Revenue Requirement Variance

Clifton Karnei suggested and Committee members agreed to delay any decision regarding application of the 2007 actual versus budget revenue requirement variance until a later date.

Financial Audit

Sean Barry confirmed that Mr. Karnei and Mr. Espinosa had concluded that the final version of the audit report prepared by PwC was not materially changed from the near-final version reviewed by the Board during its meeting on April 15, 2008. Mr. Karnei confirmed that, consistent with Board resolution, the final version of the audit report was deemed accepted by the Board.

Handling Reporting Violations

Mr. Karnei suggested and Committee members agreed to delay the discussion regarding procedures for handling reporting violations until a later date.

Credit Work Group Activities

Amanda List and Cheryl Yager provided an update on the efforts by the Credit Work Group (CWG) and ERCOT staff to develop a Market Credit Risk Standard. Ms. List described the CWG's reluctance to finalize a Standard that set hard limits using the Credit Risk Model until that model had been further vetted by CWG and utilized for a period of time. After a lengthy discussion, Mr. Karnei and Brad Cox suggested that the CWG work to get to agreement on a Standard without hard limits for now and provide an update to the Committee in June. Ms. List commented that the CWG would have difficulty looking at a draft Standard prior to the June meeting given the need to focus on Nodal credit topics.

Committee Briefs

Mr. Byone informed the Committee that ERCOT was recently changed from a 501(c)(6) entity to a 501(c)(4) entity. He noted that the status change would result in substantial savings in the future related to sales and use taxes. He also noted that the status change paves the way for a further change to a 501(c)(3) entity which would enable ERCOT to issue tax free debt. Mr. Byone commended Mike Petterson and Susan Vincent for their forethought and persistence over the past two years in keeping the tax status matter moving forward to a favorable resolution.

Staff provided written reports with information for the following areas:

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

Future Agenda Items

Staff provided the following list of future agenda items:

1. Debt financing for additional Nodal and Zonal costs
2. 2009 Audit planning
3. Review the company's dealings with any financial institutions that are also market participants

Adjournment

Clifton Karnei adjourned the meeting at 10:00 a.m.



Estrellita J. Doolin, Secretary