

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
MINUTES OF THE ISO FINANCE & AUDIT COMMITTEE – GENERAL SESSION
7620 Metro Center Drive – Austin, Texas 78744
September 16, 2008**

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on the above-referenced date. 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 **8:50 a.m.**, at which time it recessed to General Session.

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	Cncor	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
Smitherman, Barry T.	Public Utility Commission	Chairman	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Doolin, Estrellita	ERCOT – Assistant General Counsel
Garcia, Diana	Maxwell, Locke & Ritter, LLP
Leady, Vickie	ERCOT – Associate Corporate Counsel
Lester, Suzanne	ERCOT – Executive Assistant - Finance
Petterson, Mike	ERCOT – Controller
Porter, Lea Anne	ERCOT – Director, Compensation & Benefits
Troxtehl, David	ERCOT – Director, Program Management Office
Wullenjohn, Bill	ERCOT – Director, Internal Audit
Yager, Cheryl	ERCOT – Treasurer
Zimmerhanel, AJ	Maxwell, Locke & Ritter, LLP

Approval of Prior Meeting General Session Minutes

Nick Fehrenbach moved to approved the minutes for the General Session of the Finance & Audit Committee meeting held on August 19, 2008. Robert Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.

2007 401(k) Audit Report

Lea Ann Porter referred to the ERCOT 401(k) Savings Plan Audit Report and related documents that were distributed prior to the meeting and introduced representatives of the company that conducted the audit, Maxwell, Locke & Ritter, LLP (MLR). A. J. Zimmerhazel

reported that no issues were noted in the audit and that MLR had issued the cleanest opinion possible. He distributed copies of the ERCOT management representation letter and responded to questions. Miguel Espinosa requested that the ERCOT CEO sign management representation letters in the future. In response to PUCT Chairman Smitherman's question regarding the value change in the assets held since December 2007, Ms. Porter responded that she would provide an update.

Charles Jenkins moved to recommend that the Board accept the 401(k) Savings Plan Audit Report. Nick Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Annual Charter Review and Committee Structure

Reference was made to the existing Finance & Audit Committee Charter that was distributed prior to the meeting. Bill Wullenjohn led a discussion of the pros and cons of splitting the Finance and Audit Committee into two separate committees--a Finance Committee and an Audit Committee. The discussion included a review of committee structures and meeting frequency at the other Independent System Operators. After a lengthy discussion, the Committee agreed to make no changes to the structure or any other aspect of the existing Committee Charter.

Miguel Espinosa moved to approve the Finance & Audit Committee Charter. Robert Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Financial Update

Cheryl Yager reported on efforts related to interim financing alternatives. She noted that ERCOT is moving forward with obtaining additional funding from the existing lenders and expects to close on the financing by November 1, 2008.

Michael Petterson referred to the Financial Summary that was distributed prior to the meeting. He noted that ERCOT's year-to-date financial performance was favorable relative to approved budget. He reported that ERCOT is forecast to end 2008 with a favorable financial variance.

Other Items

Steve Byone informed the Committee that the Nodal Project budget (actual and committed charges) would likely reach the \$319 million limit in October or November 2008. He noted that a revised base budget was forthcoming and that Bob Kahn would provide more information during the Board meeting later that day.

Committee Briefs

Mr. Byone referred to materials distributed prior to the meeting for the following areas:

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

Michehl Gent referred to the status for Workforce on the Risk Management Event Profile Matrix ("Stop Light Report") and commented that the status was getting worse. Mr. Byone responded that steps were being taken to improve both items on the report with elevated risk level (i.e. Workforce and Disclosure). The two areas on the report with reduced risk level (i.e. Customer Choice and Administration, Settlement & Billing) were also discussed.

Future Agenda Items

Mr. Byone identified the following future agenda items:

1. Engagements of external auditors for other services (pre-approval policy)
2. Credit Update
3. Assessment of the adequacy and effectiveness of the Internal Audit staff (annual review)
4. Review requirements for membership in the Credit Work Group
5. Review and approve Credit Work Group charter
6. Quarterly review of investment results
7. Committee briefs
8. Future agenda items
9. Financial update (favorable variance)
10. Budget update (2009 & 2010)

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:50 a.m.



Estrellita J. Doolin
Assistant General Counsel and
Finance & Audit Committee Secretary