

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
 MINUTES OF THE ISO FINANCE & AUDIT COMMITTEE – GENERAL SESSION
 7620 Metro Center Drive – Austin, Texas 78744
 October 21, 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 7:30 a.m. The Committee met in Executive Session from 7:30 a.m. to 9:12 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	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:

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:

Barry, Sean	PricewaterhouseCoopers
Bassett, Ryan	PricewaterhouseCoopers
Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Day, Betty	ERCOT – Director of Markets
Deskens, Andy	Wachovia Bank
Doolin, Estrellita	ERCOT – Assistant General Counsel
Gresham, Kevin	Reliant Energy
Leady, Vickie	ERCOT – Associate Corporate Counsel
Lester, Suzanne	ERCOT – Executive Assistant (Finance)
Petterson, Mike	ERCOT – Controller
Seely, Chad	ERCOT – Corporate Counsel
Stauffer, Tarra	ERCOT – Legal Assistant
Troxtehl, David	ERCOT – PMO Director
Wullenjohn, Bill	ERCOT – Director, Internal Audit
Yager, Cheryl	ERCOT – Treasurer

Approval of Prior Meeting General Session Minutes

Nick Fehrenbach moved to approve the minutes for the General Session of the Finance & Audit Committee meeting held on September 16, 2008. Dan Wilkerson seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Debt Financing Proposal

The Committee voted on the three debt financing proposals that had been presented by Cheryl Yager during the Executive Session. **Nick Fehrenbach moved to approve Proposal 1 as it had been outlined during the Executive Session; Robert Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Dan Wilkerson moved to approve Proposal 2 as it had been outlined during the Executive Session; Michehl Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Michehl Gent moved to approve Proposal 3 as it had been outlined during the Executive Session; Nick Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Debt and Liquidity Update

Cheryl Yager provided the Committee an update on recent debt financing, possible increase in debt capacity and proposed financing structure that would be discussed in more detail during the Executive Session of the Board meeting later that day.

Quarterly Review of Investment Results

Ms. Yager referred to the Quarterly Review of Investment Results materials that were distributed prior to the meeting and provided a brief overview of the Q3 2008 results. She commented that Steve Byone would provide a more in depth review during the Board meeting later that day. PUC Chairman Barry T. Smitherman pointed the Committee's attention to the Highlights of Investment Standard objectives and asked the Committee to review and consider two items: 1) whether our investments are sufficiently diversified and 2) whether quarterly reports being made to the F&A Committee were consistent with reports being presented to the Board.

Engagement of External Auditor for Other Services

Mike Petterson addressed the Committee regarding engagement of external auditors for other services. As required by the F&A Committee charter, he alerted the Committee in writing by Memorandum to all present, that ERCOT had renewed its subscription to Comperio (a web based accounting database provided by PricewaterhouseCoopers) for 2009 at a cost of approximately \$2,000.

External Auditor Independence and Review of the 2008 Financial Audit Plan

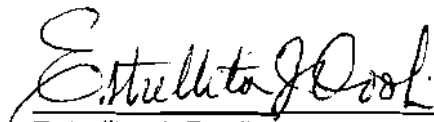
Sean Barry and Ryan Bassett spoke to the Committee about external auditor independence and provided materials to attendees regarding ERCOT's Audit Plan for 2008 Financial Statements. Mr. Barry briefly outlined audit objectives, scope, terms of engagement, timing, key issues, strategy and high-risk areas. Mr. Barry clarified that the audit of ERCOT's financial statements would include the TexasRE as a division of ERCOT. He noted that PricewaterhouseCoopers had also been retained under separate engagement with the TexasRE to provide audit services.

Standard Form Guarantee Agreement

Chad Seely addressed the Committee by providing an update on the drafting of a revised Market Participant Guarantee Agreement. ERCOT Legal worked with Credit Work Group (CWG) and outside counsel to negotiate the language of the agreement. In September 2008, the Credit Work Group approved the new version of the Market Participant Guarantee Agreement and Foreign Market Participant Guarantee Agreement. There was a discussion on the extensive concessions made to the original proposed draft such as express affirmations of ownership or benefit, scope of guaranteed obligations and operation of credit support amount. There was additional dialogue on the demand and funding mechanism/retention of defenses, termination provision, expanded representations/covenants and assignability. Messrs. Karnei, Gent, Thomas and Wilkerson asked questions regarding these concessions and Mr. Seely commented that the revised agreement was marginally improved from the original version. Nick Fehrenbach expressed reservations and said he preferred the draft initially proposed by ERCOT Legal. Robert Thomas recommended and Committee members agreed to take no action on the revised Standard Form Guarantee Agreements at the meeting. Mr. Karnei voiced that the Committee would prefer further negotiations to strengthen the language and obtain reasoning behind the changes to the language proposed by ERCOT Legal. Ms. Yager agreed to set a timeline to get feedback from the CWG and report back to the Committee.

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:57 a.m.



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