

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
MINUTES OF THE FINANCE & AUDIT COMMITTEE – GENERAL SESSION
7620 Metro Center Drive – Austin, Texas 78744
June 16, 2009

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 9:15 a.m.**, at which time it recessed to General Session.

General Session Attendance

Committee members:

Ballard, Don	Office of Public Utility Counsel	Residential Consumer	Present
Cox, Brad	Tenaska Power Services	Independent Power Marketer	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Jenkins, Charles	Oncor Electric Delivery Company	Investor Owned Utility	Present
Karnei, Clifton (Chair)	Erazos Electric Power Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy Company	Independent 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:

Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Cleary, Mike	ERCOT – Senior Vice President and Chief Technology Officer
Doggett, Trip	ERCOT – Senior Vice President & Chief Operating Officer
Doolin, Estrellita	ERCOT – Assistant General Counsel
Hancock, Misti	ERCOT – Manager, Budget and Financial Analysis
Kahn, Bob	ERCOT – President and Chief Executive Officer
Leady, Vickie	ERCOT – Corporate Counsel
Lester, Suzanne	ERCOT – Executive Assistant, Finance
Manning, Chuck	ERCOT – Vice President and Chief Compliance Officer
Morgan, Richard	ERCOT – Interim Vice President and Chief Information Officer
Nield, James	ERCOT – Treasury Manager
Petterson, Mike	ERCOT – Controller
Saathoff, Kent	ERCOT – Vice President, System Planning & Operations
Stauffer, Tarra	ERCOT – Legal Assistant
Troxtehl, David	ERCOT – Director, Program Management Office
Wullenjohn, Bill	ERCOT – Director, Internal Audit
Yager, Cheryl	ERCOT – Treasurer

Approval of Prior Meeting General Session Minutes

Michehl Gent moved to approve the minutes for the General Session of the Finance & Audit Committee meeting held on May 20, 2009. Robert Thomas seconded the motion. The motion passed by voice vote with Miguel Espinosa and Charles Jenkins abstaining.

Vote on Items from Executive Session

Clifton Karnei confirmed that there were no items from Executive Session requiring a vote.

2009 Operating Plan

Mike Petterson informed the Committee that he would provide an update on actual results of the 2009 Operating Plan through May 31, 2009 as well as management actions to mitigate the revenue shortfall at the Board meeting.

Review 2010 Strategic Planning and Budget Assumptions

Mike Petterson directed the Committee to materials provided prior to the meeting and reported on plans for preparation of ERCOT's 2010 base operating budget. He reminded the Committee of key items on the schedule: the date the preliminary base operating budget would be presented to the Committee (July 21, 2009), the date for a Special F&A Committee and Public Input Meeting (August 17, 2009), and the date staff would seek recommendation from the Committee to obtain approval from the ERCOT Board (September 15, 2009). Mr. Petterson also reviewed the 2010 Budget requirements and assumptions. Mr. Gent inquired about the assumption that Texas Regional Entity (TRE) would become a separate entity and requested that budget assumptions related to the TRE be synced with the TRE budget assumptions.

External Audit Request for Proposal (RFP)

Mike Petterson informed the Committee that, in accordance with previous directives, a Request for Proposal (RFP) for external audit and accounting services was released on June 9, 2009. He noted that bids were due back by July 31, 2009 and that staff present a recommendation for auditor selection in advance of the August Board meeting. Miguel Espinosa requested that he be provided a list of entities invited to respond to the RFP. Mr. Petterson agreed to provide the list and noted that the RFP was posted on the public ERCOT website.

Review Proposed Changes to MOU with TRE

Mike Petterson informed the Committee that the Memorandum of Understanding (MOU) regarding support services provided by ERCOT to the TRE was being amended to incorporate changes related to TRE's recent move to new facilities and revisions to the ERCOT Board Policies and Procedures. Mr. Petterson confirmed that no material changes to the MOU were contemplated.

Dealings with Financial Institutions That Are Also Market Participants

Cheryl Yager explained that every six months and as contracts are negotiated, staff discloses to the Committee financial institutions that provide (or might provide in the case of a contract being negotiated) services to ERCOT that are also Market Participants. Ms. Yager noted that the two entities listed were previously disclosed to the Committee. Steve Byone commented that sufficient protections of confidential information were in place with the entities. Mr. Espinosa volunteered to recuse himself from any discussion involving Morgan Stanley.

Investment Status Update

Cheryl Yager provided an update on ERCOT investments and commented that markets seemed to be loosening. Ms. Yager mentioned that investments continue to be held in money market funds that hold Treasury or Treasury-backed securities. Ms. Yager informed the Committee that

Randy Baker had been hired into the newly created Credit Director position. She noted that Mr. Baker would be involved with the Credit Work Group.

Committee Briefs

Materials were distributed prior to the meeting for the following areas:

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

David Troxtell directed the Committee to materials provided prior to the meeting and highlighted a large project moving from the planning phase to the execution phase (PR90004_01 Data Storage). Mr. Karnei asked the Committee members if they wanted to continue to be receive monthly reports from the PMO on all projects. Dan Wilkerson suggested that the reports be replaced with a one-page chart showing standard milestones such as "Total Budgeted" and "Total Spent," but only for large projects. Mr. Karnei asked that the review process for projects be added to the list of future agenda items.

Future Agenda Items

The following items were identified as future agenda items:

1. Standing Internal Audit agenda items
2. Preliminary 2010 Budget and PPL
3. 2009 Operating plan – updated forecast
4. Credit update
5. Standing Investment update
6. Committee briefs
7. Financial Standard (25% variance level)
8. Whether ERCOT, Inc. should fund market losses
9. Future agenda items

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:45 a.m.



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