



ERCOT Finance & Audit Committee Meeting
7620 Metro Center Drive, Austin, Texas
Met Center, Conference Room 206
October 20, 2009; 7:30am – 10:00am*

Item #	Agenda Item Type	Description/Purpose/Action Required	Presenter	Time
1.		Call to order Executive Session	C. Karnei	7:30am
2.		2a. Announcement of proxies	C. Karnei	7:31am
	Decision required	2b. Approval of executive session minutes (Vote) (09/15/09)	C. Karnei	7:32am
	For discussion	2c. Internal Audit status report	B. Wullenjohn	7:33am
	Informative	2d. EthicsPoint update	B. Wullenjohn	7:35am
	For discussion	2e. Review draft 2010 Internal Audit plan	B. Wullenjohn	7:45am
	For discussion	2f. Quarterly private discussion with Chief Audit Executive	B. Wullenjohn	8:00am
3.	Decision required	Approval of acquisition of non-audit services from ERCOT's independent auditor	M. Walsh	8:10am
4.	Informative	Contracts, personnel, litigation and security	Various	8:15am
		Recess Executive Session		8:20am
		Convene General Session		
5.	Decision required	Approval of general session minutes (Vote) (09/15/09)	C. Karnei	8:20am
6.	Decision required	Vote on items from executive session (Vote)	C. Karnei	8:22am
7.	Decision required	Annual charter review and committee structure (Vote)	C. Karnei	8:25am
8.	Informative	Review ERCOT's 2008 Form 990 filing	M. Petterson	8:35am
9.	Informative	Quarterly investment update	C. Yager	8:55am
10.	Informative	Credit briefing – Potential Future Exposure	R. Baker	9:10am
11.	Decision required	Semi-annual credit report and review and approval of CWG charter and membership requirements (Vote)	A. List	9:30am
12.	Informative	Committee Briefs (Q&A only)	All	9:40am
13.	Informative	Future agenda items	C. Karnei	9:45am
		Adjourn ISO meeting	C. Karnei	9:50am

** Background material is enclosed or will be distributed prior to meeting. All times shown in the agenda are approximate. The next Finance & Audit Committee Meeting will be held Tuesday, November 17, 2009, at ERCOT, 7620 Metro Center Drive, Austin, Texas 78744, in Room 206.*

Decision required
For discussion

5. Approval of General Session Minutes Clifton Karnei

- **Approval of General Session Minutes**
 - Vote 9/15/09

DRAFT ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
MINUTES OF THE FINANCE & AUDIT COMMITTEE – GENERAL SESSION

7620 Metro Center Drive (Room 206) – Austin, Texas 78744
 September 15, 2009

Pursuant to notice duly given, the Finance & Audit Committee (“Committee”) of the Electric Reliability Council of Texas, Inc. (“ERCOT”) convened on the above-referenced date. Clifton Karnei confirmed that a quorum was present and called the meeting to order at approximately **7:32 a.m.** The Committee met in Executive Session from **7:32 a.m. to 8:51 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)	Brazos 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:

Anderson, Troy	ERCOT – Manager Program Administration
Brandt, Adrienne	Austin Energy
Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Day, Betty	ERCOT – Director of Markets
Deskins, Andy	Wachovia / Wells Fargo
Doggett, Trip	ERCOT – Senior Vice President and Chief Operating Officer
Doolin, Estrellita	ERCOT - Assistant General Counsel
Dryfus, Mark	Austin Energy
Forfia, David	ERCOT – Director IT Infrastructure
Fox, Kip	American Electric Power
Garcia, Diana	Maxwell Locke & Ritter
Hancock, Misti	ERCOT – Budget Manager, Finance
Harvey, Ryan	TPPF (Texas Public Policy Foundation)
Kahn, Bob	ERCOT – President and Chief Executive Officer
King, Kelso	King Energy
Kolodzies, Eddie	Customized Energy Solutions
Lowe, Terry	LS Power Group

Manning, Charles	ERCOT – Chief Compliance Officer
Morgan, Richard	ERCOT – Chief Information Officer
Morris, Sandy	Lower Colorado River Authority
Petterson, Mike	ERCOT – Controller
Porter, Lea Anne	ERCOT – Director of Benefits and Compensation
Reid, Walter	Wind Coalition
Stauffer, Tarra	ERCOT – Legal Assistant
Stephenson, Randa	Luminant
Troxtehl, David	ERCOT – Director of Program Management Office
Wright, Christine	PUCT
Wullenjohn, Bill	ERCOT – Director of Internal Audit
Yager, Cheryl	ERCOT – Treasurer
Zimmerhanel, A.J.	Maxwell, Locke & Ritter

Approval of Prior Meeting General Session Minutes

Michehl Gent moved to approve the minutes for the General Session of the Committee meeting held on August 18, 2009 and the General Session of the Special Meeting held on August 17, 2009. **Dan Wilkerson** seconded the motion. The motion passed by voice vote with no abstentions.

Vote on Items from Executive Session

Mr. Karnei stated that the Committee met in Executive Session and discussed ERCOT staff's recommendations for external audit firms.

SAS 70 Audit

Mr. Wilkerson moved to recommend that the Board of Directors select “Firm X” (as identified in the Executive Session minutes) as the independent auditor for the SAS 70 audit for a one-year audit period for 2010 with a two-year option for 2011 and 2012. **Brad Cox** seconded the motion. The motion passed, but Messrs. Espinosa and Gent opposed.

Financial Audit

Mr. Wilkerson moved to recommend that the Board of Directors select “Firm Y” (as identified in the Executive Session minutes) as the independent auditor for the financial statements audit and IRS Form 990 review and filing for the years ending 12/31/2009, 12/31/2010 and 12/31/2011. **Robert Thomas** seconded the motion. The motion passed, but Messrs. Espinosa and Gent opposed.

Review Results of 2008 401(k) Audit Report and Vote on Acceptance

Diana Garcia and A.J. Zimmerhanel of Maxwell, Locke & Ritter provided the Committee with a presentation of the 2008 401(k) Plan audit report. After a discussion of the findings, Chairman Karnei noted that it was a clean audit opinion and **Don Ballard** moved to recommend that the Board of Directors accept the final audited financial statements of the 401(k) Plan, as of December 31, 2008. **Mr. Gent** seconded the motion. The motion passed by voice vote with no abstentions.

Recommend 2010 Base Operating Budget

Mr. Karnei opened discussion regarding the recommendation for the 2010 base operating budget. Mr. Kahn summarized that since the August 2009 meeting, ERCOT staff had reached a flat fee position primarily by recommending that ERCOT fund some large capital from the extraordinary income of the sales tax refund. Mr. Gent confirmed with Mr. Kahn that questions from the August 2009 meeting had been cleared up, and numbers reconciled.

Steve Byone then highlighted changes made to the proposed 2010 Base Operating Budget as presented in the August 2009 meeting. Mr. Byone clarified that ERCOT had reached a flat fee budget relative to ERCOT's position in the 2009 budget. In reaching the flat fee, he cited further reductions in employee costs, outside services, and Sunset Review costs, and recommended that in out years (i.e. 2011 and beyond), reductions in O&M costs be taken in addition to using future sales tax proceeds to offset future construction costs. Mr. Byone then fielded questions regarding staffing headcount reducing employee costs, and explained that the reduction in Sunset Review projected costs resulted from confirmation from the Sunset Commission that the reimbursement amount by ERCOT would be lower than projected.

Mr. Byone informed the Committee that a slight change had been made to Committee materials after distribution, and as such, the Board would receive updated materials with said changes during the Board meeting later that day. After a lengthy discussion concerning questions from the August 2009 meeting, Mr. Byone noted that there was a decline in the megawatt-hour assumption, which projects the collection of less revenue in 2010 relative to the 2009 budget (i.e., about \$2.7 million that had to be overcome in the budget line items to keep a flat fee).

Finally, Mr. Byone responded to questions regarding the sales tax revenue, construction projects, and employee benefit costs. Following a discussion regarding these issues, **Mr. Gent moved to recommend that the Board of Directors (a) adopt the proposed 2010 Budget which includes \$176.8 million total spending authorization for base operations (including independent market monitoring and PURA functions), capital projects, debt service and a gross staff authorization level of 739 FTEs; (b) approve the current, unchanged rate of ERCOT System Administration Fee of \$0.4171 as outlined in the proposed 2010 Budget; and (c) approve the ERCOT Fee Schedule attached as Exhibit A to the memo dated 9/8/09 from Clifton Karnei to the Board of Directors regarding ERCOT 2010 Base Operating Budget (i.e. Board decision template) as presented in materials for the September 15, 2009 Board meeting. Mr. Wilkerson seconded the motion. The motion passed, but Mr. Ballard opposed.**

Update of 2009 Financial Forecast

Mike Petterson provided the Committee with an update of the 2009 Financial Forecast. Mr. Petterson stated that ERCOT predicted 2009 to be a tight financial year, but expected to end it with expenses equal to or less than the budget revenue.

Standing Investment Update

Cheryl Yager directed the Committee to materials provided to them prior to the meeting. Ms. Yager stated that ERCOT's investment goals are to maintain: (a) safety of ERCOT investments; (b) liquidity for ERCOT needs; and (c) return. She then stated that about three-quarters of ERCOT's investable funds were in collateral – the income from which is returned to market participants. Other large sources of funds include TCR auction proceeds and prepayments on settlement activity. Ms. Yager gave a brief overview of said funds and fielded questions from the Committee. She then highlighted the range of investment options and programs in which ERCOT might invest (i.e., money markets, direct investments in treasuries, municipal bonds, commercial paper, CD investment programs).

Following regarding discussion of the investment options, the Committee decided to continue the current investment strategy of investing in money market funds that invest in Treasury or Treasury-backed securities. Ms. Yager agreed to provide the Committee with periodic reviews of ERCOT returns. Mr. Jenkins suggested that the Committee discuss investment options again following the December 2009 annual TCR auction. Thereafter, Mr. Karnei and Ms. Yager agreed to update PUCT Chairman Barry Smitherman of the Committee's decision regarding ERCOT

investment options. Mr. Espinosa expressed a desire to watch these funds closely. Ms. Yager stated that she would add a slide to the standing Committee briefs.

Ms. Yager informed the Committee that ERCOT was considering opening an additional fund with BlackRock. Ms. Yager added that Bank of America has a less than five percent ownership in BlackRock, and based on common definitions of affiliates, ERCOT concluded that BlackRock is not an affiliate of Bank of America. She stated that ERCOT was planning to move forward with an investment fund with BlackRock, to which Mr. Karni replied, "Very good."

Committee Briefs

Materials distributed prior to the Committee meeting focused on the following areas:

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

Future Agenda Items

The following items were identified as future agenda items:

1. Standing Internal Audit agenda items
2. Review of the F&A Committee Charter
3. Review and assessment of compliance and internal control systems
4. Review ERM standard
5. Review and approve CWG charter and membership qualifications
6. Credit briefing – Potential Future Exposure
7. Review ERCOT's 2008 Form 990 filing
8. Standing investment update
9. Committee briefs
10. Future agenda items

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:46 a.m.

Estrellita Doolin
Assistant General Counsel

6. Vote on Items From Executive Session Clifton Karnei

<Vote>

7. Annual Charter Review and Committee Structure (Vote) Clifton Karnei

- **ERCOT staff has reviewed the F&A Committee Charter and has included several proposed edits**
- **F&A Charter with proposed edits is attached as a separate document for your use in conducting the annual review.**
- **Discussion and recommendation on Committee structure and Charter changes (Vote)**



THE ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
FINANCE & AUDIT COMMITTEE CHARTER

Purpose

The Finance and Audit Committee (the “Committee”) of the Board of Directors of ERCOT (the “Company”) shall:

1. Oversee the development of Company’s budget process and adherence to a Company budget;
2. Provide recommendations to the Board of Directors for ~~establishing levels of~~ financing Company needs, including both debt and revenue financing and in setting the Company’s fees, including its administrative fee;
3. Review and make recommendations to the Board of Directors regarding investment and financial guidelines standards for the Company;
4. Review and make recommendations to the Board of Directors regarding credit standards, procedures, governance, ERCOT Protocols and other market rules which impact credit risk;
5. Ensure that the Company’s financial statements are timely audited by qualified accountants who are independent;
6. Assist the Board of Directors in fulfilling its oversight responsibility with respect to the Company’s maintenance of an effective internal audit function;
7. Establish and maintain procedures for the receipt (including anonymous submission), retention and treatment of complaints regarding accounting, internal controls, and auditing;
8. Perform such other duties and responsibilities enumerated in and consistent with this Charter.

The Committee’s function is one of oversight, recognizing that the Company’s management is responsible for preparing the Company’s financial statements, and the independent auditor is responsible for auditing those statements. In adopting this Charter, the Board of Directors acknowledges that the Committee members (with the exception of ERCOT’s Chief Executive Officer) are not employees of the Company and are not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the external auditor’s work or auditing standards. Each member of the Committee shall be entitled to rely on the integrity of staff and external auditors to provide accurate, complete financial and other information to the Committee, absent actual knowledge to the contrary, and shall also exercise their fiduciary duties as Directors, including their duties of care, loyalty, and obedience.

While the Committee has the responsibilities, duties and powers set forth in this Charter, it shall be the responsibility and duty of the Company’s management and independent auditor, and not the responsibility or duty of the Committee, to plan or conduct audits, to make any determination that the Company’s financial statements are complete, accurate and in accordance with generally accepted accounting principles, and to assure compliance with laws, regulations and the Company’s ethics policies. It is the responsibility of the Committee to conduct investigations and resolve disagreements regarding financial reporting, if any, between management and the independent auditor.

The Committee shall provide assistance to the Board in fulfilling its oversight responsibility relating to the Company’s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Company’s

financial statements and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee and the Company's independent auditors, internal accounting personnel and management.

Membership

The Committee shall be comprised of at least five Board members, at least three of which are from Market Segments and two or more of which must be Independent Board members of the Company. Each Member must be able to read and understand fundamental financial statements, including the balance sheet, income statement and cash flow statement. At least one Member shall be designated a "financial expert" as such term may be defined from time to time by the Board of Directors consistent with definitions generally accepted by the accounting industry or other regulatory authorities (the "Financial Expert"). At a minimum, the Financial Expert must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which ensures the individual's financial sophistication, including a past or current position as a Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") or other senior officer with financial oversight responsibilities.

The Board members shall decide from among themselves who shall participate in the Committee. The term shall be for not more than one year.

The Chair of the Committee shall be selected through a majority vote of the Committee members. The Committee Chair shall not be the CEO of the Company and shall have accounting or related financial management expertise.

Any member of the public may attend and participate in the open session of Committee meetings. For the executive session of Committee meetings, tThe Committee shall close the Committee meeting to the public to address sensitive matters such as confidential personnel information, contracts, lawsuits, competitively sensitive information, or other information related to the security of the regional electrical network. For such executive sessions of Committee meetings, the Committee may request that any officers or employees of the Company, or any other person, whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests. In addition, for such executive sessions of the Committee meetings, the Committee may exclude any persons who are not Directors, the Directors' Segment Alternates or the Directors' Designated Representatives.

Board members (other than Committee members) including Board member alternates may attend and participate in all Committee meetings but may not participate in Committee voting.

~~Non-Committee members may attend Committee meetings at the discretion of the Committee. The Committee may exclude any persons who are not Directors, the Segment Alternate or the Director's Designated Representative from any meeting or portion of any Committee meeting that the Committee determines, in its discretion, needs to be held in closed session to discuss~~

~~personnel issues, confidential legal matters, negotiations or other business of the Committee involving confidential information.~~

Qualifications

Each member of the Committee shall also meet any experience requirements as may be established from time to time by the Board of Directors. The Board of Directors shall endeavor to appoint at least one member to the ~~Ceommittee who is a financial expert as the Financial Expert. as such term may be defined from time to time by the Board of Directors, the accounting industry or other regulatory authorities.~~

Authority

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose. All employees are directed to cooperate as requested by the Committee or any of its Members for Committee purposes. The Committee may request any officer or employee of the Company, the Company's outside counsel or the Company's independent auditor to attend a meeting of the Committee or to meet with any Member or any consultants to the Committee.

The Director of Internal Audit is the Chief Audit Executive at the Company. The Company's Chief Audit Executive shall report directly to the Committee. For administrative purposes, the Chief Audit Executive shall report to the CEO. The Committee shall approve an Annual Internal Audit Plan prepared by the Chief Audit Executive. The Chief Audit Executive shall (1) manage the execution of the Annual Internal Audit Plan, (2) conduct investigations at the direction of the Chair and the Committee, and (3) make periodic reports to the Committee at regularly scheduled Committee meetings and as otherwise directed by the Chair and the Committee.

The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Directors. Such workgroups or task forces shall have no authority to bind the Committee or the Company.

Structure

The presence of at least half of the members of the Committee shall constitute a quorum. At any meeting at which a quorum exists, the act of a majority of the members present at a meeting shall be the act of the Committee. For the purposes of voting, members who recuse themselves from voting on an issue shall not be counted as present for that vote.

The Chair, in consultation with the CFO, shall develop the agenda, the frequency, and length of meetings and shall have unlimited access to management and information for purposes of carrying out functions of the Committee. The Chair shall establish such other rules, as may from time to time be necessary and proper for the conduct of the Committee.

Duties and Responsibilities

The following shall be the prominent recurring duties and responsibilities of the Committee in carrying out its oversight functions. The duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Committee may alter or supplement them as

appropriate under the circumstances to the extent permitted by applicable law, and by the Company's Articles of Incorporation and Bylaws:

With respect to budget oversight and financing:

1. Annually, on a schedule to be established by the Board of Directors, the Committee shall review staff's proposed budget for the following year, including proposed staffing levels, proposed capital expenditures, and other proposed expenditures.
- ~~2. The Committee shall review the staff's estimate of revenues to support all proposed expenditures, including staff's recommendations for fee levels for the following year.~~
- ~~3.2.~~ The Committee shall review the staff's recommendation of the amount and type of financing ~~that may be~~ needed, both revenue and debt financing, to support the proposed budget, including the staff's proposed financial performance measures (e.g. ratios).
3. Following the Committee's review of the above items, the Committee shall recommend to the Board of Directors a staffing level, a proposed budget, proposed fees, and proposed financial performance measures for the following year.
4. As needed, the Committee shall review staff's recommendations among debt financing alternatives and recommend to the Board of Directors a debt structure or facility that meets the Company's liquidity needs.

With respect to maintaining investment and financial guidelines for the Company, the Committee shall:

1. Establish standards by which the Company will invest funds and maintain its financial health/strength and review these standards at least annually, recommending updates to the Board of Directors as needed.

With respect to the Company's credit policies and standards:

1. Establish a standard by which the Board will seek to maintain the long-term financial integrity of the ERCOT market and review this standard at least annually, recommending updates to the Board of Directors as needed.
- ~~1.2.~~ The Committee shall review the Company's credit policies to consider:
 - a. Appropriateness of credit practices and creditworthiness standards established for market participants;
 - b. Compliance with existing creditworthiness standards by market participants;
 - c. Compliance with credit-related Protocols and market rules; and
 - d. Development of appropriate methods to evaluate and mitigate credit risk;
- ~~2.3.~~ The Committee's review shall consider the recommendations of staff and the Credit Work Group and the decisions of the appropriate stakeholder groups, including the Technical Advisory Committee.
- ~~3.4.~~ Following each such review, the Committee may, in its discretion, recommend to the Board of Directors any proposed changes to the previously approved credit policies.

With respect to the independent auditors:

1. Annually, the Committee shall recommend to the Board of Directors the selection and engagement of the Company's independent auditor. The Committee shall fulfill the oversight responsibility of the Board of Directors with respect to the independent auditors' audit of the books and accounts of the Company and for the fiscal year for which it is appointed.

2. The Committee shall approve the provision of all auditing and non-audit services (in excess of \$5,000) by the independent auditor to the Company in advance of the provision of those services and shall also approve the fees for all non-audit services provided by the independent auditor.
3. Provision of non-audit services of less than or equal to \$5,000 by the independent auditor to the Company do not require pre-approval from the Committee, but shall be communicated in writing to the members of the Committee at the first meeting following the engagement for the non-audit services at issue.
4. In connection with the Committee's approval of non-audit services, the Committee shall consider whether the independent auditor's performance of any non-audit services is compatible with the external auditor's independence.
5. At least annually, the Committee shall obtain and review a report by the independent auditor describing:
 - a. the independent auditor's internal quality control procedures;
 - b. all relationships between the independent auditor and the Company, in order to assess the auditor's independence.
6. The Committee shall also review any report by the independent auditor describing:
 - a. significant accounting policies and practices used by the Company;
 - b. alternative treatments of financial information as required to be discussed by the independent auditors with the Committee; and
 - c. any other material written communication between the independent auditors firm and the Company's management.
7. Establish the Company's hiring policies for employees who are former employees of the Company's independent auditors.

With respect to the Company's financial statements:

1. The Committee shall discuss the annual audited financial statements with management and the independent auditor, including the Company's disclosures.
2. The Committee shall review disclosures made to the Committee by the Company's CEO and CFO about any significant deficiencies in the design or operation of the internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
3. In connection with its review of the Company's financial statements, the Committee shall review and discuss with the independent auditor the matters relating to the conduct of the audit as they may be modified or supplemented, including, but not limited to, significant judgments, significant estimates, critical accounting policies, and unadjusted differences.
4. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
5. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
6. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

7. Review any and all press stories that relate to the Company's accounting and disclosure, require that management or the auditor explain any negative comments and determine whether these comments necessitate a change in the accounting structure of the Company.
8. Based on its review and discussions with management, the Chief Audit Executive and the independent auditor, the Committee shall provide a recommendation to the Board of Directors whether the Company's financial statements should be accepted.

With respect to periodic reviews and reports:

1. Periodically, the committee shall meet separately with senior management, the Chief Audit Executive and the independent auditors.
2. The Committee shall review with the independent auditor any audit problems or difficulties and management's response to them.
3. The Committee shall review the Company's policies with respect to risk assessment and risk management.
4. The Committee shall inquire of management and the independent auditors about significant risks or exposures to the Company and the Company's market and assess the steps management has taken to minimize such risks.
5. The Committee shall establish procedures for:
 - a. The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - b. The confidential, anonymous submission by the Company's employees of concerns regarding accounting or auditing matters.
- ~~3.6.~~ ^[c1] The Committee shall review a summary of the Company's dealings with any financial institutions that are also market participants.
- ~~4.7.~~ The Committee shall communicate to the Board of Directors the matters discussed at each meeting of the Committee, including any issues with respect to the quality or integrity of the Company's financial statements, the performance and independence of the Company's independent auditors or the performance of the internal audit function.
- ~~5.8.~~ The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors.

With respect to Internal Audit:

1. The Committee shall review with management and the Chief Audit Executive the charter, activities, staffing, and organizational structure of the internal audit function.
2. The Committee shall have final authority to review and approve the Annual Internal Audit Plan and all major changes to the Plan.
3. The Committee shall review, considering the recommendations of the independent auditors and the CFO, the scope of the Internal Audit Plan and the plan of work to be done by the Company's Internal Audit Department, and the results of such work.
4. The Committee shall review the significant reports to management prepared by the Internal Audit Department and management's responses.
5. The Committee shall ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
6. The Committee shall, at least once per year, review the performance of the Chief Audit Executive and concur with the annual compensation and salary adjustment.

7. The Committee shall review the adequacy and effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
 8. The Committee shall, on a regular basis, meet separately with the Chief Audit Executive in executive session to discuss any matters that the committee or Internal Audit believes should be discussed privately.
1. ~~With respect to the other matters:~~The Committee shall inquire of management and the independent auditors about significant risks or exposures to the Company and the Company's market and assess the steps management has taken to minimize such risks.;
 2. ~~The Committee shall establish procedures for:~~
 - a. ~~The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and~~
 - b. ~~The confidential, anonymous submission by the Company's employees of concerns regarding accounting or auditing matters.~~
 3. ~~The Committee shall establish the Company's hiring policies for employees who are former employees of the Company's independent auditor's.;~~
- ~~The Committee shall meet at least biannually with the independent auditor and the CFO in separate executive sessions.~~ [c2]

Meetings

The Committee shall meet at least once during each fiscal quarter, and as many additional times as the Committee shall deem necessary or appropriate.

Minutes

The Committee shall designate a secretary, who may be a Committee Member or employee of ERCOT, who shall prepare or cause to be prepared the minutes of each meeting and file such minutes with the corporate records of the Company. The secretary shall send, or cause to be sent, copies of such minutes to each of the Members.

Evaluation

The Committee shall undertake an annual evaluation assessing its performance and, in light of this, consider changes in its membership, charter or procedures. The Committee shall report to the Board the results of its evaluation, including recommended charter, membership and other changes, if any.

Background

- **Draft IRS Form 990 provided with Board materials (agenda item #17)**
- **Significant changes to annual IRS Form 990**
- **Implications for potential application to become classified as a 501(c)(3) organization**
- **Heightened scrutiny**
 - Management review
 - Outside legal counsel review
 - Audit firm review
- **November 15, 2009 extended filing deadline**

Requested Board Action

- **Review IRS Form 990**

Informative

Electric Reliability Council of Texas, Inc.
Summary of Investment Results
Third Quarter 2009
(in 000's)

Investment Funds	Balance at September 30	Average Bal for Qtr	Interest 3rd Qtr	Yield 3rd Qtr Avg	Yield End of 3rd Qtr	% of portfolio at September 30
Evergreen Fund 497 Institutional Treasury MMF (Note 1)	39,016	29,002	1	0.02%	0.01%	22.4%
Federated Fund 068 Treasury Obligations Fund (Note 1)	26,882	49,627	8	0.06%	0.00%	15.4%
Federated Fund 0125 US Treasury Cash Reserves Fund (Note 1)	14,748	29,355	1	0.01%	0.00%	8.5%
Invesco Institutional Treasury Portfolio (Note 1)	47,767	12,654	2	0.08%	0.05%	27.4%
JP Morgan Chase US Treasury Plus MM Fund (Note 1)	45,629	73,171	15	0.08%	0.02%	26.2%
Sub-Total	174,042	193,809	27			100%
Other cash net of outstanding checks (Note 2)	(2,677)					
Total cash and cash equivalents (est)	171,365	193,809	27			100%
The Reserve Primary Fund (Note 3)	775	775	-			100.0%
Sub-Total Other Current Assets (est)	775	775	-			100.0%

Benchmark data (Note 4)

Four Week T-Bill:	0.06%
Other open relevant Treasury MMFs:	0.06% (Range: 0.00% - 0.14%)

Notes

- Note 1: In January 2009, the BOD adopted changes to the Investment Corporate Standard that limit investments to securities of or guaranteed by the U.S. government, which has resulted in ERCOT investing in money market funds that invest solely in Treasury or Treasury-backed securities.
- Note 2: All other cash, net of outstanding checks, held by ERCOT in bank accounts as of September 30, 2009. The balance is negative due to outstanding checks that have not yet been funded.
- Note 3: Investments in The Reserve Primary Fund have been reclassified from Cash and Cash Equivalents to Other Current Assets as of December 31, 2008. The Reserve is liquidating this fund. As of the end of September, the investment balance of \$4.7 million was reduced by a loss provision of \$3.9 million for estimated losses based on information provided by The Reserve. A distribution of \$0.9 million was received on 10/2/09, which will reduce our loss provision by \$0.1 million.
- Note 4: Benchmark data obtained as of September 30, 2009 for T-Bills and for comparable funds for which quotes are periodically obtained. Funds not currently open for investment are not included in range. Note that due diligence has not been performed on funds included in benchmark and included funds may not meet ERCOT investment standards.
- Note 5: No individual securities held as of September 30, 2009.

Statement of Compliance

Upon a review of the investment activity for the 3 month period ended September 30, 2009, I have no knowledge of any ERCOT action that does not comply with that required by the Investment Standard. However, investments in The Reserve Primary fund do not comply with the objectives in the ERCOT Investment Standard for the period from September 16, 2008 to September 30, 2009. ERCOT has issued valid redemption requests for all investments held in these funds but has not yet received the full proceeds. This out of compliance condition is expected to continue until final distributions are received from the The Reserve Primary Fund.

Signature on File

Cheryl Yager, Treasurer

Signature on File

Roy Bowman, Interim Chief Financial Officer

Electric Reliability Council of Texas, Inc.
Summary of Investment Results
Balance as of September 30, 2009
(in 000's)

	<u>Operating</u>		<u>Market</u>		<u>Total</u>	<u>Comments</u>
	<u>ISO</u>	<u>TRE</u>	<u>TCR Revenue/ Prepaid Settlements</u>	<u>Collateral/ Restricted Cash</u>		
Evergreen Fund 497 Institutional Treasury MMF			2,015	37,001	39,016	For detail of fund holdings as of September 30, 2009, please see "Attachment A"
Federated Fund 068 Treasury Obligations Fund	100	2,198	2,026	22,559	26,882	For detail of fund holdings as of September 30, 2009, please see "Attachment B"
Federated Fund 0125 US Treasury Cash Reserves Fund			15	14,733	14,748	For detail of fund holdings as of September 30, 2009, please see "Attachment C"
Invesco Institutional Treasury Portfolio			2,015	45,752	47,767	For detail of fund holdings as of September 30, 2009, please see "Attachment D"
JP Morgan Chase US Treasury Plus MM Fund	90		3,884	41,655	45,629	For detail of fund holdings as of September 30, 2009, please see "Attachment E"
Sub-Total Investments	190	2,198	9,955	161,700	174,042	
Other cash net of outstanding checks					(2,677)	
Total Cash and Cash Equivalents (est)	190	2,198	9,955	161,700	171,365	
The Reserve Primary Fund	152	54		569	775	For detail of fund holdings as of September 30th, 2009, please see "Attachment F"
Sub-Total Other Current Assets (est)	152	54	-	569	775	



Evergreen Investments™

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Fund Facts

Institutional Treasury Money Market Fund

Fund Facts

Institutional Treasury Money Market Fund

[Fact Sheet](#) [Performance & Pricing](#) [Portfolio Management](#) **[Fund Holdings](#)** [Historical Distributions](#)

The holdings listed should not be considered recommendations to purchase or sell a particular security. Current and future portfolio holdings are subject to risk.

Evergreen Investments Fund Holdings (Unaudited)

September 30, 2009	Principal Amount (\$) / Shares	\$ Value
U.S. TREASURY OBLIGATIONS		
Cash Management Bill, 0.44%, 06/17/2010	105,000,000	104,667,617
U.S. Treasury Bills, 0.01%, 10/01/2009	450,000,000	450,000,000
U.S. Treasury Bills, 0.02%, 10/15/2009	50,000,000	49,999,621
U.S. Treasury Bills, 0.10%, 10/01/2009	500,000,000	500,000,000
U.S. Treasury Bills, 0.10%, 10/08/2009	200,000,000	199,999,961
U.S. Treasury Bills, 0.17%, 10/01/2009	25,000,000	25,000,000
U.S. Treasury Bills, 0.27%, 11/12/2009	150,000,000	149,953,188
U.S. Treasury Bills, 0.32%, 12/17/2009	175,000,000	174,880,008
U.S. Treasury Bills, 0.34%, 12/10/2009	125,000,000	124,917,483

U.S. Treasury Bills, 0.34%, 12/24/2009	200,000,000	199,841,333
U.S. Treasury Bills, 0.35%, 12/10/2009	75,000,000	74,949,031
U.S. Treasury Bills, 0.47%, 04/01/2010	200,000,000	199,526,548
U.S. Treasury Notes, 2.00%, 02/28/2010	25,000,000	25,173,556
U.S. Treasury Notes, 3.25%, 12/31/2009	125,000,000	125,800,519
U.S. Treasury Notes, 3.50%, 02/15/2010	25,000,000	25,295,746
Total for U.S. Treasury Obligations		<u>2,430,004,611</u>
REPURCHASE AGREEMENTS		
Bank of America Corp., 0.02%, 10/01/2009	150,000,000	<u>150,000,000</u>
Bank of America Corp., 0.03%, 10/05/2009	100,000,000	<u>100,000,000</u>
Barclays Capital, Inc., 0.02%, 10/01/2009	350,000,000	350,000,000
Credit Suisse First Boston Corp., 0.03%, 10/05/2009	100,000,000	100,000,000
Deutsche Bank AG, 0.04%, 10/05/2009	350,000,000	350,000,000
Deutsche Bank AG, 0.05%, 10/05/2009	450,000,000	450,000,000
Greenwich Capital Markets, Inc., 0.03%, 10/05/2009	225,000,000	225,000,000
Morgan Stanley, 0.01%, 10/01/2009	150,000,000	150,000,000
Morgan Stanley, 0.01%, 10/05/2009	375,000,000	375,000,000
RBC Dain Rauscher Corp., 0.10%, 10/05/2009	350,000,000	350,000,000
Societe Generale, 0.03%, 10/05/2009	200,000,000	200,000,000
State Street Corp., 0.01%, 10/01/2009	132,925,812	132,925,812
UBS AG, 0.02%, 10/01/2009	120,000,000	120,000,000
UBS AG, 0.06%, 10/01/2009	230,000,000	230,000,000
Total for Repurchase Agreements		<u>3,282,925,812</u>
Total Market Value		<u>5,712,930,423</u>

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TREASURY OBLIGATIONS FUND
Federated

 WORLD-CLASS INVESTMENT MANAGER[®]
PORTFOLIO AS OF SEPTEMBER 30, 2009
CURRENT NET ASSETS -- \$ 18,162,472,830

Principal Amount or Shares		Value
	REPURCHASE AGREEMENTS - 64.1%	
\$1,208,000,000	Barclays Capital, Inc., 0.050%, dated 9/30/2009, due 10/1/2009	\$1,208,000,000
235,000,000	(1)Barclays Capital, Inc., 0.160%, dated 9/9/2009, due 10/9/2009	235,000,000
398,000,000	(1)Barclays Capital, Inc., 0.170%, dated 8/11/2009, due 10/1/2009	398,000,000
2,596,056,000	BNP Paribas Securities Corp., 0.060%, dated 9/30/2009, due 10/1/2009	2,596,056,000
841,000,000	(1)BNP Paribas Securities Corp., 0.200%, dated 8/28/2009, due 11/25/2009	841,000,000
1,793,000,000	Calyon Securities (USA), Inc., 0.060%, dated 9/30/2009, due 10/1/2009	1,793,000,000
100,000,000	CIBC World Markets Corp., 0.060%, dated 9/30/2009, due 10/1/2009	100,000,000
100,000,000	Deutsche Bank Securities, Inc., 0.010%, dated 9/30/2009, due 10/1/2009	100,000,000
448,000,000	(1)Deutsche Bank Securities, Inc., 0.100%, dated 9/24/2009, due 10/2/2009	448,000,000
1,493,000,000	Greenwich Capital Markets, Inc., 0.060%, dated 9/30/2009, due 10/1/2009	1,493,000,000
1,375,025,000	J.P. Morgan Securities, Inc., 0.050%, dated 9/30/2009, due 10/1/2009	1,375,025,000
793,000,000	Morgan Stanley & Co., Inc., 0.030%, dated 9/30/2009, due 10/1/2009	793,000,000
187,000,000	TD Securities (USA) LLC, 0.060%, dated 9/30/2009, due 10/1/2009	187,000,000
71,000,000	UBS Securities LLC, 0.010%, dated 9/30/2009, due 10/1/2009	71,000,000
	TOTAL REPURCHASE AGREEMENTS	11,638,081,000
	U.S. TREASURY - 35.8%	
114,000,000	(2)United States Treasury Bills, 0.010%, 10/1/2009	114,000,000
318,875,000	(2)United States Treasury Bills, 0.290%, 10/8/2009	318,857,019
618,500,000	(2)United States Treasury Bills, 0.300%, 11/27/2009	618,206,213
409,000,000	(2)United States Treasury Bills, 0.440% - 0.453%, 4/1/2010	408,077,279
398,700,000	(2)United States Treasury Bills, 0.450% - 1.000%, 10/22/2009	398,500,841
250,000,000	(2)United States Treasury Bills, 0.545%, 7/1/2010	248,966,770
213,000,000	(2)United States Treasury Bills, 0.665%, 11/19/2009	212,807,205
1,205,500,000	United States Treasury Notes, 2.000%, 2/28/2010	1,213,812,035
844,425,000	United States Treasury Notes, 2.125%, 1/31/2010	848,792,193
274,500,000	United States Treasury Notes, 2.625%, 5/31/2010	278,742,427
370,800,000	United States Treasury Notes, 3.125%, 11/30/2009	372,523,641
63,000,000	United States Treasury Notes, 3.375%, 10/15/2009	63,074,970
299,860,000	United States Treasury Notes, 3.500% - 4.625%, 11/15/2009	301,082,034
755,000,000	United States Treasury Notes, 3.500% - 6.500%, 2/15/2010	768,529,150
123,750,000	United States Treasury Notes, 3.625%, 1/15/2010	124,914,756
157,000,000	United States Treasury Notes, 3.625%, 10/31/2009	157,434,974
50,000,000	United States Treasury Notes, 4.000%, 4/15/2010	50,918,007
	TOTAL U.S. TREASURY	6,499,239,514
	TOTAL INVESTMENTS	\$18,137,320,514

- (1) Although the repurchase date is more than seven days after the date of purchase, the Fund has the right to terminate the repurchase agreement at any time with seven-days' notice.
- (2) Discount rate at time of purchase.

Note: The categories of investments are shown as a percentage of net assets (\$18,162,472,830) at the close of business on September 30, 2009, and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Note: An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Portfolio holdings are shown as of the date indicated and are unaudited. Since market conditions fluctuate suddenly and frequently, the portfolio holdings may change and this list is not indicative of future portfolio composition. These portfolio holdings are not intended to be and do not constitute recommendations that others buy, sell, or hold any of the securities listed.

For more complete information on the fund, visit www.FederatedInvestors.com for a prospectus. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

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Federated Securities Corp., Distributor
(32248) 9/30/2009

US Treasury Cash Reserves

Federated

WORLD-CLASS INVESTMENT MANAGER[®]

PORTFOLIO AS OF SEPTEMBER 30, 2009
CURRENT NET ASSETS — \$20,498,759,601

Principal Amount or Shares		Value
U.S. TREASURY — 102.0%		
\$ 4,779,200,000	(1) United States Treasury Bills, 0.030% - 0.235%, 10/22/2009	\$ 4,778,686,843
1,399,900,000	(1) United States Treasury Bills, 0.050% - 0.305%, 11/12/2009	1,399,588,343
925,000,000	(1) United States Treasury Bills, 0.060% - 0.285%, 11/19/2009	924,739,415
150,000,000	(1) United States Treasury Bill, 0.090%, 12/24/2009	149,968,500
218,000,000	(1) United States Treasury Bill, 0.095%, 2/4/2010	217,927,515
1,328,500,000	(1) United States Treasury Bills, 0.120% - 0.240%, 10/29/2009	1,328,303,533
774,225,000	(1) United States Treasury Bills, 0.130% - 0.150%, 12/3/2009	774,037,515
24,000,000	(1) United States Treasury Bill, 0.135%, 12/10/2009	23,993,700
1,630,000,000	(1) United States Treasury Bills, 0.140% - 0.180%, 10/15/2009	1,629,897,431
3,494,200,000	(1) United States Treasury Bills, 0.180% - 0.190%, 10/8/2009	3,494,073,693
750,750,000	(1) United States Treasury Bill, 0.180%, 11/5/2009	750,618,619
860,140,000	(1) United States Treasury Bills, 0.185% - 0.205%, 10/1/2009	860,140,000
150,000,000	(1) United States Treasury Bill, 0.275%, 1/14/2010	149,879,687
82,275,000	(1) United States Treasury Bill, 0.285%, 1/7/2010	82,211,168
300,000,000	United States Treasury Note, 2.000%, 2/28/2010	302,253,869
1,070,000,000	United States Treasury Note, 2.125%, 1/31/2010	1,076,688,601
250,000,000	United States Treasury Note, 2.625%, 5/31/2010	253,863,777
40,000,000	United States Treasury Note, 3.125%, 11/30/2009	40,185,325
1,591,497,000	United States Treasury Notes, 3.500% - 4.625%, 11/15/2009	1,599,011,803
445,000,000	United States Treasury Notes, 3.500% - 4.750%, 2/15/2010	450,912,010
625,000,000	United States Treasury Note, 3.625%, 10/31/2009	626,727,043
TOTAL U.S. TREASURY		20,913,708,390
TOTAL INVESTMENTS		\$ 20,913,708,390

(1) Discount rate at the time of purchase.

Note: The categories of investments are shown as a percentage of net assets (\$20,498,759,601) at the close of business on September 30, 2009, and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Note: An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

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Federated Securities Corp., Distributor
32255 9/09

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Treasury Portfolio

Short-Term Investments Trust

Portfolio Holdings
Data as of September 30, 2009

Quantity (Par)	Security Description	Maturity Date	Associated Issuer	Short-Term Ratings ¹			% of Portfolio
				S&P	Moody's	Fitch	
REPURCHASE AGREEMENT							
99,300,000	BANC OF AMERICA SECURITIES LLC REPO	10/01/2009	US TREASURY	A-1	P-1	F-1+	0.53
346,537,161	BARCLAYS CAPITAL INC. REPO	10/01/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	1.83
1,375,000,000	BNP PARIBAS SECURITIES CORP REPO	10/01/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	7.27
100,000,000	CIBC WORLD MARKETS CORP. REPO	10/01/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	0.53
799,000,000	CREDIT SUISSE SECURITIES (USA) LLC REPO	10/01/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	4.23
675,000,000	GOLDMAN SACHS & CO. REPO	10/01/2009	US TREASURY	A-1	P-1	NR	3.57
750,000,000	HSBC SECURITIES (USA) INC. REPO	10/01/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	3.97
750,000,000	JP MORGAN SECURITIES INC. REPO	10/01/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	3.97
250,000,000	MORGAN STANLEY REPO	10/01/2009	US TREASURY	A-1	P-1	F-1	1.32
750,000,000	RBS SECURITIES INC. REPO	10/01/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	3.97
250,000,000	WACHOVIA BANK, N.A. REPO	10/01/2009	US TREASURY	A-1+	P-1	F-1+	1.32
6,144,837,161	Repurchase Agreement Total						32.50
REPURCHASE AGREEMENT - TERM							
500,000,000	BARCLAYS CAPITAL INC. REPO	10/19/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	2.64
450,000,000	BARCLAYS CAPITAL INC. REPO	10/23/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	2.38
450,000,000	BNP PARIBAS SECURITIES CORP REPO	10/23/2009	US TREASURY	A-1+ (Int)	P-1 (Int)	NR	2.38
500,000,000	CREDIT SUISSE SECURITIES (USA) LLC REPO	10/13/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	2.64
250,000,000	CREDIT SUISSE SECURITIES (USA) LLC REPO	10/16/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	1.32
250,000,000	RBS SECURITIES INC. REPO	10/19/2009	US TREASURY	A-1 (Int)	P-1 (Int)	NR	1.32
2,400,000,000	Repurchase Agreement - Term Total						12.69

Continued...

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Treasury Portfolio

Short-Term Investments Trust

Portfolio Holdings
Data as of September 30, 2009

Quantity (Par)	Security Description	Maturity Date	Associated Issuer	Short-Term Ratings ¹			% of Portfo
				S&P	Moody's	Fitch	
U.S. TREASURY BILL							
500,000,000	US TREASURY BILL	10/01/2009	US TREASURY	A-1+ (Int)	NR	NR	2.64
500,000,000	US TREASURY BILL	10/08/2009	US TREASURY	A-1+ (Int)	NR	NR	2.64
300,000,000	US TREASURY BILL	10/15/2009	US TREASURY	A-1+ (Int)	NR	NR	1.59
300,000,000	US TREASURY BILL	10/15/2009	US TREASURY	A-1+ (Int)	NR	NR	1.59
542,700,000	US TREASURY BILL	10/22/2009	US TREASURY	A-1+ (Int)	NR	NR	2.87
815,000,000	US TREASURY BILL	11/05/2009	US TREASURY	A-1+ (Int)	NR	NR	4.31
450,000,000	US TREASURY BILL	11/12/2009	US TREASURY	A-1+ (Int)	NR	NR	2.38
450,000,000	US TREASURY BILL	11/12/2009	US TREASURY	A-1+ (Int)	NR	NR	2.38
900,000,000	US TREASURY BILL	11/19/2009	US TREASURY	A-1+ (Int)	NR	NR	4.76
750,000,000	US TREASURY BILL	12/03/2009	US TREASURY	A-1+ (Int)	NR	NR	3.97
750,000,000	US TREASURY BILL	12/10/2009	US TREASURY	A-1+ (Int)	NR	NR	3.97
500,000,000	US TREASURY BILL	12/17/2009	US TREASURY	A-1+ (Int)	NR	NR	2.64
250,000,000	US TREASURY BILL	01/14/2010	US TREASURY	A-1+ (Int)	NR	NR	1.32
500,000,000	US TREASURY BILL	01/21/2010	US TREASURY	A-1+ (Int)	NR	NR	2.64
250,000,000	US TREASURY BILL	01/28/2010	US TREASURY	A-1+ (Int)	NR	NR	1.32
400,000,000	US TREASURY BILL	02/04/2010	US TREASURY	A-1+ (Int)	NR	NR	2.12
250,000,000	US TREASURY BILL	02/11/2010	US TREASURY	A-1+ (Int)	NR	NR	1.32
150,000,000	US TREASURY BILL	02/18/2010	US TREASURY	A-1+ (Int)	NR	NR	0.79
250,000,000	US TREASURY BILL	02/25/2010	US TREASURY	A-1+ (Int)	NR	NR	1.32
315,000,000	US TREASURY BILL	03/04/2010	US TREASURY	A-1+ (Int)	NR	NR	1.67
425,000,000	US TREASURY BILL	03/11/2010	US TREASURY	A-1+ (Int)	NR	NR	2.25
200,000,000	US TREASURY BILL	03/18/2010	US TREASURY	A-1+ (Int)	NR	NR	1.06
615,000,000	US TREASURY BILL	04/01/2010	US TREASURY	A-1+ (Int)	NR	NR	3.25
10,362,700,000	U.S. Treasury Bill Total						54.81
18,907,537,161	GRAND TOTAL						100.00

An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

For more information about the Treasury Portfolio, please contact our Cash Management Sales Desk at (800) 659-1005, Option 2 or visit invescoaim.com.

All data provided by Invesco Aim unless otherwise noted.

* Multi Credit Enhancement Providers (CEP) - 100% CEP rated minimum A-1/P-1/F-1 or comparable long term rating.

¹ Credit ratings are used by the marketplace as indications of the likelihood of getting their money back in accordance with the terms on which they invested. The ratings provided within this report represent the current ratings for the underlying securities within the portfolio and do not represent the ratings assigned to the overall portfolio. Ratings are subject to change without notice and are based on many factors, including the likelihood of timely re-payment of interest and principal, industry positioning, competitive outlook, quality of management, etc. Standard & Poor's short-term credit ratings are issued based on varying degrees. Short-term ratings range from A-1, representing the highest rating assigned indicating that the degree of safety regarding timely payment is strong to SP-3, denoting speculative capacity to pay principal and interest. Securities that possess extremely strong safety characteristics are denoted with a plus sign (+) designation. Moody's short-term prime ratings are opinions of the ability of issuers to honor senior financial obligations and contracts. Such obligations generally have an original maturity not exceeding one year, unless explicitly noted. Moody's short-term prime ratings range from P-1, issuers or supporting institutions rated Prime-1 have a superior ability to repay short-term debt obligations to Not Prime (NP), issuers/supporting institutions rated Not Prime do not fall within any of the Prime rating categories. Moody's short-term MIG ratings are considered investment grade, and are referred to as Municipal Investment Grade (MIG), ranging from MIG 1, denoting superior credit quality to Speculative Grade (SG), and denotes speculative-grade credit quality; which may lack sufficient margins of protection. Fitch Ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, re-payment of principal, insurance claims or counterparty obligations. Short-term ratings has time horizon of less than 12 months for most obligations, or up to three years for US public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. Short-term ratings range from F1+, denoting exceptionally strong credit quality to D, default. Plus (+) and minus (-) signs are used with a rating symbol to indicate the relative position of a credit within the rating category.

Portfolio composition is subject to change. The list of portfolio holdings is as of the date shown and may not represent current or future portfolio composition. This portfolio data has not been audited or adjusted for certain financial statement reclassifications. An audit could potentially result in adjustments to this data. For month-end portfolio data that coincides with your fund's quarterly, semi-annual, or annual reports, you should refer to those reports for the most accurate listing of portfolio holdings. The following attributes, if applicable, are available upon request: Security description, associated issuer, quantity, short-term ratings for Standard & Poor's (S&P), Moody's, Fitch Ratings and the Dominion Bond Rating Service (DBRS®), long-term ratings for S&P, Moody's and Fitch Ratings, maturity date, weighted average life, coupon, industry, percent of Portfolio (by sector), security reset date and exposure to underlying asset class.

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Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information about the Fund(s), please obtain a prospectus by contacting Invesco Aim Cash Management at (800) 659-1005 or your financial advisor. Please read the prospectus carefully before investing.

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Global Liquidity

J.P.Morgan
Asset Management

UNAUDITED

JPM U.S. Treasury Plus Money Market Fund

As of Date: 09/30/2009

Security Type	Description	Security ID	Par	% of Total		Moody's Rating	S&P Rating
				Value	Value		
Treasury Bill	UNITED STATES ZERO 12/09	912795R52	2,994,000.00	2,991,764	0.01	P-1	A-1+
Treasury Bill	UNITED STATES ZERO 12/09	912795S69	345,000,000.00	344,494,367	1.51	P-1	A-1+
Treasury Note	UNITED STATES 1.75% 03/10	912828HU7	199,000,000.00	200,530,310	0.88	Aaa	AAA
Treasury Note	UNITED STATES 2.38% 08/10	912828JJ0	75,000,000.00	76,241,114	0.33	P-1	A-1+
Treasury Note	UNITED STATES 2.88% 06/10	912828JC5	300,000,000.00	305,149,507	1.34	P-1	A-1+
Treasury Note	UNITED STATES 3.13% 11/09	912828HJ2	200,000,000.00	200,929,345	0.88	P-1	A-1+
Treasury Note	UNITED STATES 3.25% 12/09	912828HL7	175,000,000.00	176,297,538	0.77	P-1	A-1+
Treasury Note	UNITED STATES 4.00% 04/10	912828DR8	163,000,000.00	166,318,680	0.73	Aaa	AAA
Sub-Total				18,017,826,532	79%		
Grand Total				22,789,605,532	100%		

Must be preceded or accompanied by a prospectus.

The "UNAUDITED UNCERTIFIED MUTUAL FUND HOLDINGS" LIST ("the list") IS TO BE USED FOR REPORTING PURPOSES ONLY.

The list is submitted for the general information of the Fund. The list has been created from the books and records of the Fund without examination by independent auditors.

The uncertified holdings list is available on a one business day lag. The figures shown in the "Value" column, represent the values of the Fund's investments using the amortized cost method of valuation pursuant to Rule 2a-7 of the Investment Company Act of 1940. The list is subject to change without notice. This list is for informational purposes only and not intended as an offer or solicitation with respect to the purchase or sale of any security.

Securities ratings are provided by Bloomberg. "NA" denotes the securities rating was not available at the time this report was generated.

J. P. Morgan Asset Management is the marketing name for the asset management business of JPMorgan Chase & Co.

JPMorgan Funds are distributed by JPMorgan Distribution Services, Inc., which is an affiliate of JPMorgan Chase & Co. Affiliates of JPMorgan Chase & Co. receive fees for providing various services to the funds.

J. P. Morgan Chase & Co. 2009.

Schedule of Investments

(September 30, 2009 Unaudited)

Fund Name: PRIMARY

DESCRIPTION	MATURITY DATE*	COUPON RATE (%)	UNITS (US\$)	PCT OF PORTFOLIO
Federal Home Loan Bank				
FEDERAL HOME LN BK CONS DSC NT	10/01/2009	0.0010	507,000,000	9.47%
Total Federal Home Loan Bank			507,000,000	9.47%
Floating Rate Note				
DEUTSCHE BANK AG NY	10/21/2009	0.4762	208,000,000	3.88%
HSBC USA INC	10/15/2009	0.9250	275,000,000	5.13%
LEHMAN BROS HLDGS INC	03/20/2009	3.1100	250,000,000	4.67%
LEHMAN BRTHRS HLDG INC	10/29/2008	3.7100	185,000,000	3.45%
LEHMAN BRTHRS HLDG INC	10/27/2008	3.2900	200,000,000	3.73%
LEHMAN BRTHRS HLDG INC	10/10/2008	3.0000	150,000,000	2.80%
NATIONAL AUSTRALIA BK LTD	10/06/2009	0.4838	60,000,000	1.12%
ROYAL BK SCOTLAND PLC	10/09/2009	0.6634	390,000,000	7.28%
Total Floating Rate Note			1,718,000,000	32.08%
Time Deposit				
BRANCH BANKING + TRUST COMPANY	10/01/2009	0.0200	365,000,000	6.81%
CALYON	10/01/2009	0.1200	365,000,000	6.81%
KBC BANK	10/01/2009	0.0600	365,000,000	6.81%
NORDEA BK FINLAND PLC HELSINKI	10/01/2009	0.0800	365,000,000	6.81%
WELLS FARGO BANK NASSAU	10/01/2009	0.0100	365,000,000	6.81%
Total Time Deposit			1,825,000,000	34.07%
Investment Total			4,050,000,000	75.61%
Cash Held at Custodian Bank*			1,306,162,288	24.39%
Portfolio Total			5,356,162,288	100.00%
Average Weighted Maturity				4 Days

*To determine the cash that is available for eventual distribution, add time deposits and securities maturing in one day to cash held at custodian bank. A negative cash number represents an overdrawn balance.

Cash does not include receivables for securities sold until the trade settles.

*The maturities of the securities shown are the earliest date that the Fund would be able to realize the value of the investment, which could be the instrument's stated maturity, the date on which the Fund has the right to put the securities to the issuer, the date which the issue has been called or the date on which the security is scheduled to be pre-refunded.

Portfolio composition is subject to change at any time. If securities are sold with a delayed settlement date, the above portfolio listing will not reflect those securities. However, the securities are still assets of the fund and will continue to earn interest until the trade settles.

On September 16, 2008, the Lehman Brothers securities in the fund were valued at zero, where they remain. These securities are included in the line item "Portfolio Total" at their face value.

This data is unaudited and provided for informational purposes only and is not intended for trading purposes.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. You should carefully consider the investment objectives, risks and charges and expenses of the Fund before investing. The Fund's Prospectus contains this and other information about the Fund. The Fund's Prospectus may be obtained by writing to The Reserve, 1250 Broadway, New York, New York 10001-3701 or by calling 1-800-637-1700 and pressing "0." You should read the Prospectus carefully before you invest.

This information is for the use of U.S. residents only. The investment products and services referred to should not be considered a solicitation to buy products or an offering of any investment products to investors residing outside the United States or to any person in any jurisdiction in which such offers, solicitations, purchases or sales would be unlawful under the securities or other applicable laws of such jurisdiction.

Resrv Partners, Inc., Distributor. Member FINRA. 09/09

- **Summary Results**
- **Base Case & Current Case**
- **Summary of Most Common Outcomes – Base Case**
- **Comparisons – Base Case**
- **What Has Changed – Q1 2009**
- **Extreme Events – Base Case**
- **Current Case Simulations**
- **Model Resources**
- **Next Steps**

While the impact of various model factors changed...

Base case residual credit risk remains comparable to the previous level reported for FYE-2008

- QSE factors have decreased risk
- Market factors have had a negligible impact on risk
- Net effect – overall risk slightly down

Current case residual credit risk also remains comparable to the previous level reported for FYE-2008

- Same factors as for Base case
- Current case exposure has changed only slightly, with the distribution reflecting both increases and decreases in risk at different levels

- **Two cases are represented –**

Base Case

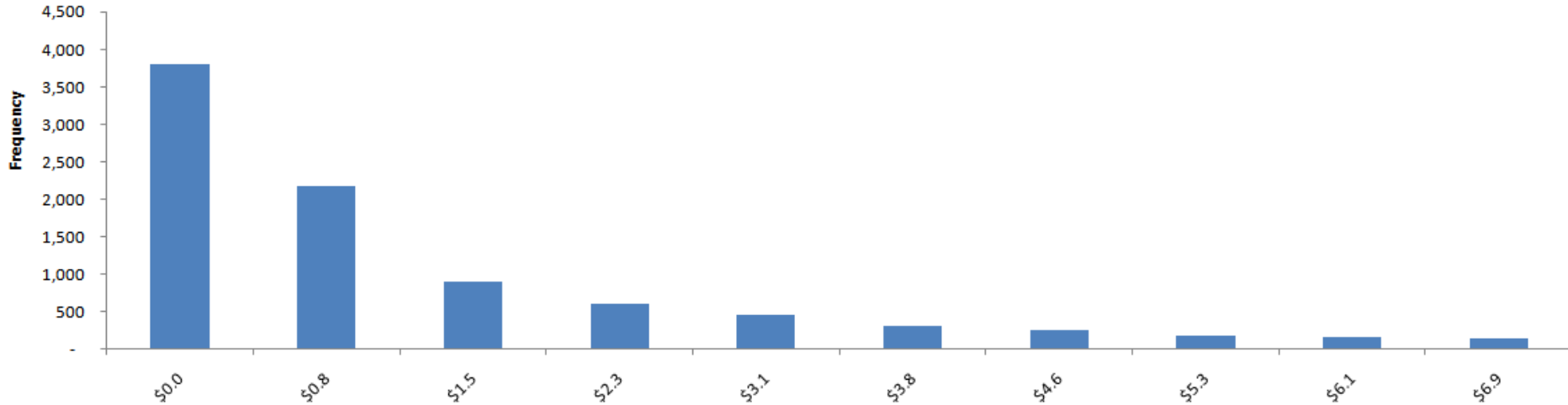
- Does not include current collateral held by ERCOT
- Fundamental assumption for this case deems collateral balances to be at least consistent with current protocols until a default occurs
- Unless otherwise indicated, this case is represented in all slides since it represents what ERCOT can enforce per existing Protocols

Current Case

- Uses current levels and forms of collateral for each QSE held by ERCOT at Time₀ at a minimum (Beginning of simulated period)
- Assumes some degree of overcollateralization will be maintained until a default occurs, i.e. the resulting loss distribution is lower

10. Credit Briefing – Potential Future Exposure: Summary of Most Common Outcomes – Base Case

Histogram of losses - Base Case showing 9,000 of 10,000 simulations

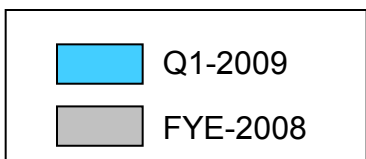
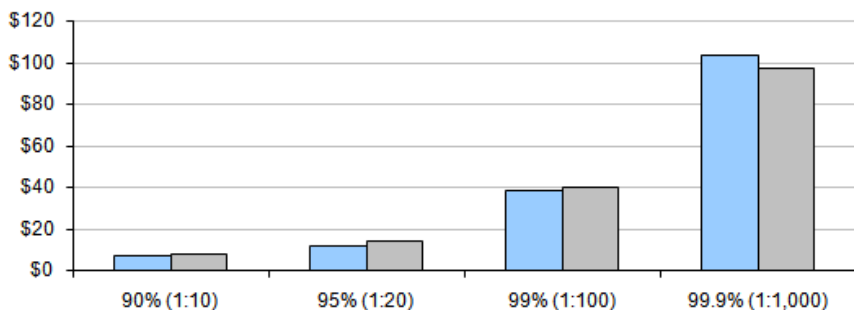


- Histogram above shows the number of simulations with credit losses less than or equal to **\$6.9** million dollars
- Losses of **\$0** are the most common results
 - Over 38% (3,812) of simulations had no losses, either from no defaults or defaults with adequate collateral
 - Nearly 70% of simulations resulted in losses of less than or equal to approximately **\$1.5** million
 - Results assume that market conditions and QSE credit ratings in place at the time of the simulation continue to be relatively unchanged over the next twelve months
- The Expected Loss across all simulations is approximately **\$2.8** million (down from \$3 million in FYE-2008)
 - The Expected Loss does not represent “the most common outcome”, but the long-run average across all outcomes
- Typical characteristic of this simulation - **heavily skewed to the right, showing extreme losses to be very rare**
- Recent results are slightly improved as compared to fiscal year-end 2008 results

10. Credit Briefing – Potential Future Exposure: Comparisons – Base Case

Simulations using Q1-2009 and FYE-08 Financials

Potential Credit Loss - Base Case (\$Millions)



Horizon (in days)
Simulations

Total defaults
Simulations with defaults
Simulations without defaults
Default simulations with zero loss
Total simulations with zero loss

(\$Millions)

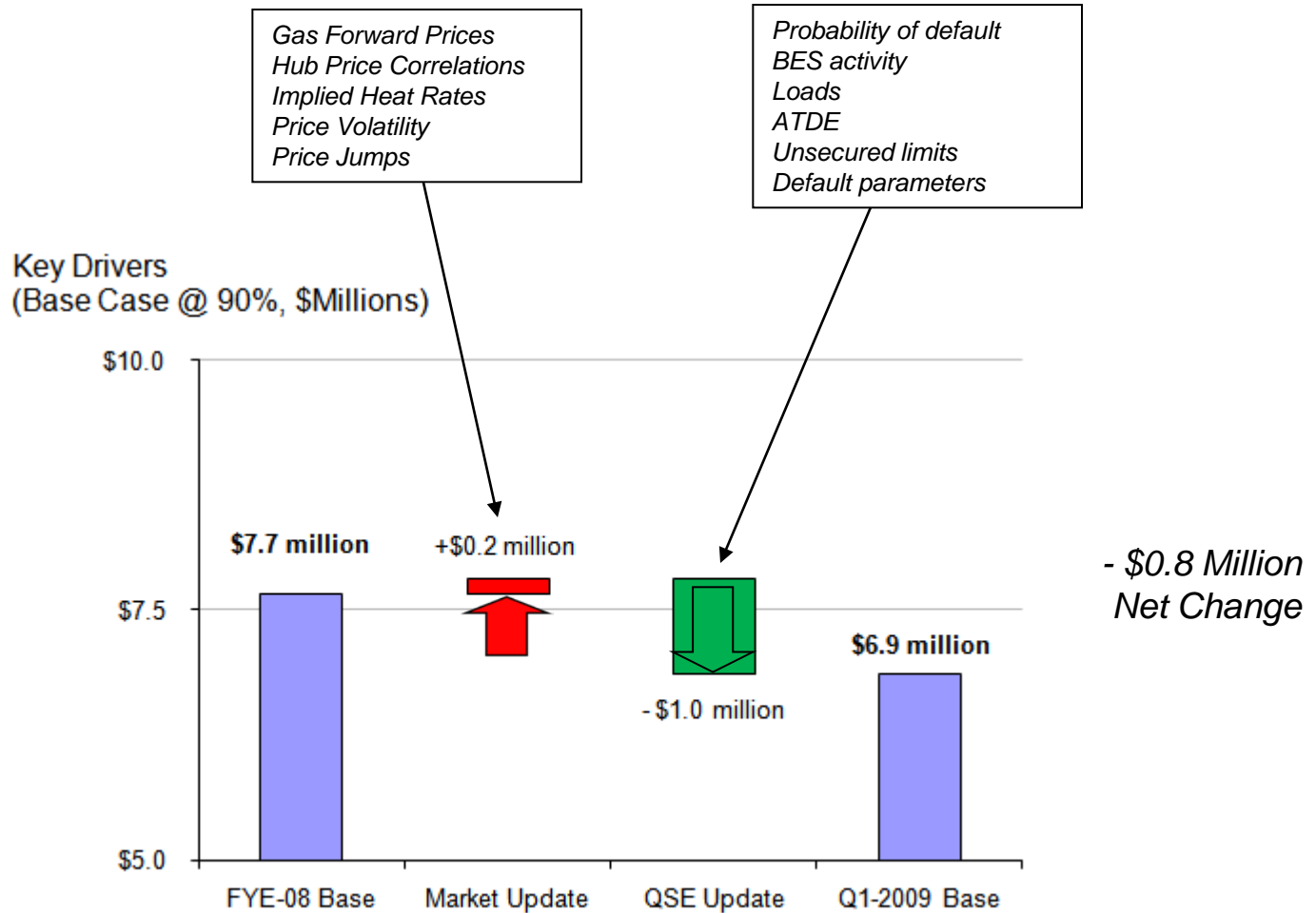
Expected Loss
Median (1:2)

90% (1:10)
95% (1:20)
99% (1:100)
99.9% (1:1,000)
Max (1:10,000)

	Q1-2009	FYE-2008
Base Case	365	365
Simulations	10,000	10,000
Total defaults	40,963	44,884
Simulations with defaults	9,393	9,538
Simulations without defaults	607	462
Default simulations with zero loss	3,205	2,459
Total simulations with zero loss	3,812	2,921
Expected Loss	\$2.8	\$3.0
Median (1:2)	\$0.3	\$0.3
90% (1:10)	\$6.9	\$7.7
95% (1:20)	\$12.1	\$14.3
99% (1:100)	\$38.4	\$39.7
99.9% (1:1,000)	\$103.5	\$97.4
Max (1:10,000)	\$152.4	\$173.6

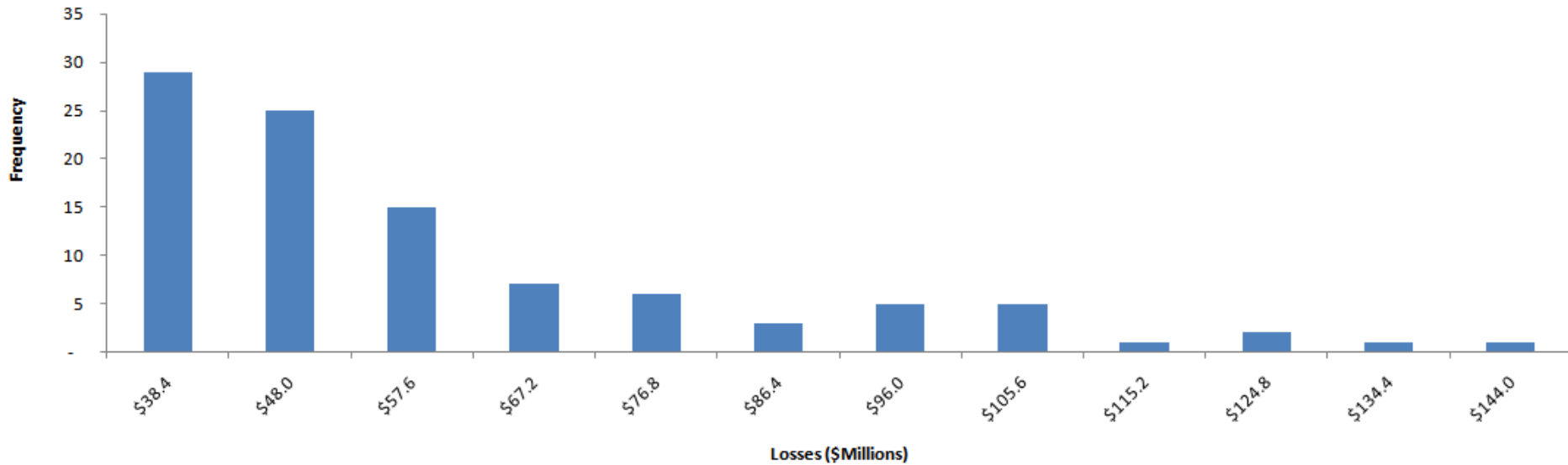
10. Credit Briefing – Potential Future Exposure: What Has Changed – Q1 2009

(US\$ Millions, 90% confidence)



Base Case – Highest Loss Simulations

High Loss Simulations (Tail)



- Histogram above shows the largest 100 loss simulations.
- This graph represents Tail risk, a.k.a. “Extreme Events”.
- These 100 simulations resulted in losses equal to or in excess of \$38.4 million.
- At 99% confidence, losses are **\$38.4 million**, slightly lower than FYE-2008 results of **\$39.7 million**.

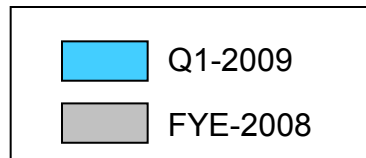
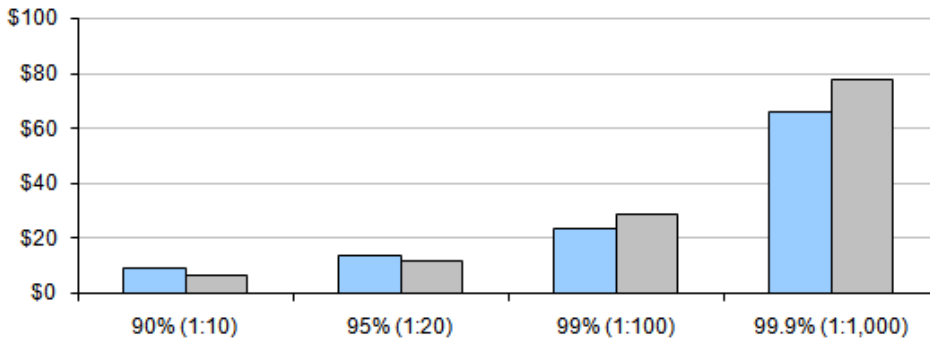
10. Credit Briefing – Potential Future Exposure: Current Case Simulations

- **Uses current levels and forms of collateral by QSE, at a minimum, held by ERCOT at Time₀**
- **ERCOT uses Group Logic to determine QSE Probability of Default (“PD”)**
 - This approach applies a combination of the QSE’s PD and the Parent’s PD, resulting in a PD between the QSE’s and Parent’s PD based on the strength of the relationship between the QSE and the Parent
 - Implies some level of support from a parent regardless of whether a guarantee is in place or not
 - This approach assumes that a QSE default occurs separately from a parent default, and that a guarantee has value as collateral
- **Credit Working Group (CWG) requested to see a different approach applied to the Current Case (Guarantor PD approach)**
 - Recognize the acceptance of a guarantee as granting unsecured credit rather than as collateral
 - Set QSE’s PD equal to the Parent’s PD when a parent guarantee is in place for a strategic subsidiary (and use Group Logic when no guarantee is in place or when guarantee is for a nonstrategic subsidiary)
 - This approach assumes that a QSE will only default when the guarantor defaults

10. Credit Briefing – Potential Future Exposure: Current Case Simulations – Comparison

Simulations using Q1-2009 and FYE-08 Financials

Potential Credit Loss - Current Case (\$Millions)

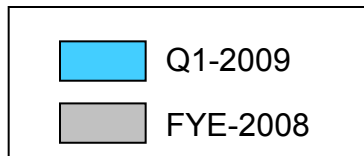
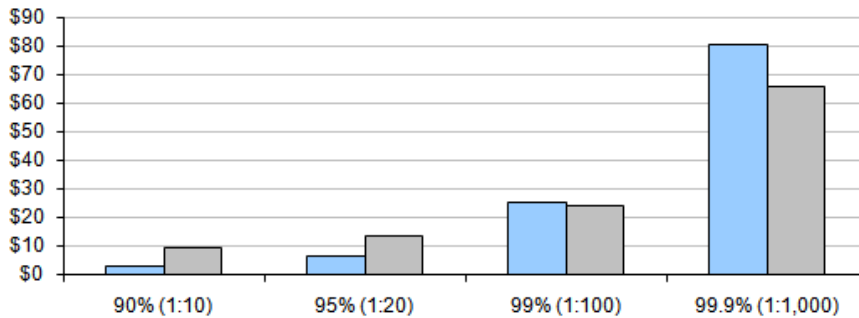


	Q1-2009	FYE-2008
Current Case	Current Case	Current Case
Horizon (in days)	365	365
Simulations	10,000	10,000
Total defaults	41,354	45,078
Simulations with defaults	9,433	9,530
Simulations without defaults	567	470
Default simulations with zero loss	3,789	2,979
Total simulations with zero loss	4,356	3,449
(\$Millions)		
Expected Loss	\$2.7	\$2.5
Median (1:2)	\$0.1	\$0.2
90% (1:10)	\$9.3	\$6.8
95% (1:20)	\$13.7	\$11.9
99% (1:100)	\$23.9	\$28.6
99.9% (1:1,000)	\$65.8	\$77.9
Max (1:10,000)	\$158.7	\$172.7

10. Credit Briefing – Potential Future Exposure: Current Case Simulations – Comparison to CWG

Simulations using Q1-2009 and FYE-08 Financials

Potential Credit Loss - Current Case (\$Millions)



	Guarantor's PD	Group Logic
	Current Case	Current Case
Horizon (in days)	365	365
Simulations	10,000	10,000
Total defaults	25,809	41,354
Simulations with defaults	8,373	9,433
Simulations without defaults	1,627	567
Default simulations with zero loss	3,694	3,789
Total simulations with zero loss	5,321	4,356
	(\$Millions)	
Expected Loss	\$1.4	\$2.7
Median (1:2)	\$0.0	\$0.1
90% (1:10)	\$2.9	\$9.3
95% (1:20)	\$6.2	\$13.7
99% (1:100)	\$25.4	\$23.9
99.9% (1:1,000)	\$80.4	\$65.8
Max (1:10,000)	\$217.9	\$158.7

- **Resources for Potential Credit Risk Model**
 - Staffing
 - Director of Credit Risk Management in place
 - Model resource currently being used in Nodal effort – working to backfill with contractor (short-list of candidates have been interviewed)
- **Frequency of running the Model**
 - ERCOT evaluated options for running the model more frequently, such as on a monthly basis
 - Recommendation is to maintain **quarterly** reporting for now
 - Model to be run and reported between quarterly intervals should market conditions significantly deteriorate
- **Bankruptcy scenario**
 - Based on discussion at F&A in August, ERCOT staff asked outside bankruptcy counsel to look at assumption behind PFE model factor

- **Model updates in the coming months –**
 - Q2 Financials November / December 2009
 - Q3 Financials January 2010

CWG Charter

- Met on October 8 and reviewed changes to the CWG Charter
- CWG recommends the changes per the attached for F&A Committee approval
- Vote

Primary CWG Activities over the past 6 months

- Coordinated with MCWG to work on Nodal DAM loss allocation methodologies
- Reviewed PFE model results (both YE 2008 and 1st Qtr 2009)
- Review PRRs and NPRRs for credit implications



Electric Reliability Council of Texas, Inc.

ERCOT Credit Work Group Charter

I. Purpose and Authority

The Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) established the ERCOT Credit Work Group (CWG) as a group of credit professionals to help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants.¹

The CWG will review all sections of the ERCOT Protocols that impact creditworthiness requirements or collateral calculation and provide recommendations to the Finance and Audit Committee of the Board (the F&A Committee), with a copy to the Chair and Vice Chair of the Technical Advisory Committee (TAC). The CWG will provide comments to the TAC subcommittees when Protocol Revision Requests (PRRs), Nodal Protocol Revision Requests (NPRRs) or other actions have credit implications.

II. Reporting Relationships

- The CWG reports to the ~~Finance and Audit~~F&A Committee of the Board as a working group and is not a subcommittee of either the Board or TAC.

III. ERCOT Credit Work Group Functions

The functions of the CWG include, but are not limited to:

¹ Capitalized terms used in this document shall have the meanings ascribed to them in the ERCOT Protocols unless otherwise noted.

- Providing input on credit matters as requested by the F&A Committee or by TAC or TAC subcommittees
- Providing input regarding PRRs and NPRRs that impact credit in accordance with this Charter and Board approved credit policies
- Providing input regarding the ERCOT Creditworthiness Standards

In addition, the CWG may, from time-to-time, make recommendations to existing or proposed systems, projects, plans, ERCOT Protocols and policies and procedures of ERCOT impacting credit issues.

The CWG shall not engage in any activities that conflict with or violate ERCOT Protocols or the ERCOT Employee Ethics Agreement.

The CWG shall at all times comply with the Antitrust Guidelines for Members of ERCOT Committees, Subcommittees and Working Groups.

The CWG shall not have direct responsibility or authority over ERCOT Staff:staff. Although the CWG will recommend courses of action, the responsibility for implementation of policies or procedures shall rest with ERCOT Staffstaff.

In carrying out its responsibilities, the CWG shall be guided by industry best practices.

IV. Credit Work Group Administration

Each Corporate Member of ERCOT may designate one employee that meets the Qualifications Guidelines for Credit Work Group Membership as a voting member to participate in the activities and attend meetings of the CWG. The Consumer representatives on the Board may each designate one person that meets the Qualifications Guidelines for Credit Work Group Membership, as a voting member to participate in the activities and attend meetings of the CWG.

All designations of CWG members must be sent to ERCOT's Credit Manager.

The Chair and Vice-Chair of the CWG shall be elected annually by the CWG membership and confirmed by vote of the F&A Committee. If the Chair or Vice-Chair steps down during his or her term, the CWG will hold

a special election to fill the vacant position within 6030 days and the vote will be confirmed by the F&A Committee.

The CWG Chair shall report at least semi-annually to the F&A Committee regarding the state of credit policy within the ERCOT Region. In addition, the CWG Chair shall notify the F&A Committee Chair of significant credit issues as they arise.

In order to discharge its responsibilities, the CWG may form temporary or ad hoc task forces. The CWG Chair, with CWG approval, shall appoint the chair for each task force for a term of one year or the duration of the task force which ever is less. Each task force chair may serve in that role for no more than two consecutive one year terms. The CWG shall direct these task forces and make assignments as necessary.

All task forces are responsible for reporting planned activities/projects and results to the CWG for review. All task force actions are subject to CWG review.

V. Meetings

A. Quorum

In order to take action, a quorum must be present. At least one CWG member from four of the seven market Segments listed below must be present (including participation by telephone) at a meeting to constitute a quorum: Independent REPs (and Aggregators), Independent Generators, Independent Power Marketers, Municipals, Cooperatives, Investor Owned Utilities, and Consumers.

Each CWG member or CWG member's company represented on CWG may designate, in writing, an Alternate Representative or proxy who may attend meetings and vote on the CWG member's behalf. Alternate Representatives must be employees of the same company as the CWG member designating them or may be agents with a contractual obligation to represent the interest of the Companycompany designating them.—~~Proxies shall not be counted~~ Alternative Representatives count toward establishing a quorum at a CWG meeting-; proxies do not. If a CWG member wishes to designate an Alternate Representative or proxy, the CWG member must send to ERCOT notification of the designation of such Alternative

Representative or proxy in advance of any meeting and the designation shall be valid for the time period designated by the CWG member.

B. Meeting Schedule and Notification

The CWG shall meet at least quarterly to review credit policy. In addition, the CWG shall meet as needed to address issues as they arise such as PRRs or NPRRs ~~as they are proposed or needed.~~ Meeting notices and agendas shall be sent to the CWG distribution list and posted on the ERCOT website at least one (1) week prior to the CWG meeting unless an urgent condition requires shorter notice. Meeting notices for urgent meetings shall be sent to the distribution list and posted on the ERCOT website and shall clearly identify the condition requiring the shorter notice. Except in cases of urgent matters, all agenda items requiring a vote of CWG must be published at least one week prior to the meeting at which the vote will take place. In the case of an urgent matter, all agenda items requiring a vote of CWG shall be published as soon as possible prior to the meeting at which the vote will take place and the circumstances causing the urgency shall be clearly identified. All CWG meetings may be attended by any interested observer. Call-in numbers will be provided for those persons wishing to attend via telephone. CWG members may participate in the meeting and vote via telephone. If third-party confidential information is presented during a meeting, all persons except for CWG members may be excluded from the portion of the meeting at which such confidential information is discussed. Confidential information will not be presented to CWG members participating by telephone.

C. Voting

Votes: At all meetings, each Segment shall have one (1) vote. CWG members present at the meeting (including participation via telephone) and participating in the vote shall receive an equal fraction of its Segment's vote.

Abstentions: In the event that a CWG member abstains from a vote, the Segment vote shall be allocated equally among the CWG members casting a vote.

Voting: In matters determined by the CWG Chair to require a vote of CWG or when any CWG member requests a vote on an issue, each CWG member shall have one (1) vote except that a CWG member holding a valid proxy for another CWG member shall have one (1) vote plus one

vote for each proxy held. A motion passes when (A) a majority of the aggregate of the fractional Segment votes are: (i) affirmative, and (ii) a minimum total of three (3) and (B) a minimum of 67% of voting individuals meet Qualification guidelines.

Any dissenting party shall have the right to request time to present its position to the F&A Committee if such dissenting party chooses to do so.

E-mail Voting: An e-mail vote is permitted provided a Notification is distributed to the CWG distribution list. A Notification must include a detailed description of the issue or proposition on which the vote will occur. A request for an e-mail vote shall be initiated only by the CWG Chair or Vice Chair. A quorum of CWG members must participate in the e-mail vote.

Participation requires casting a vote or abstaining. Votes shall be submitted to ERCOT for tallying by the close of two (2) Business Days after ERCOT staff circulates the Notification of the vote. Votes are tallied in the same manner as a regular meeting. The final tally shall be distributed to the CWG distribution list and posted on the ERCOT MIS Public Area.

D. Conduct of Meetings

The CWG Chair, or Vice-Chair in the Chair's absence, shall preside at all meetings and is responsible for preparation of agendas. In the absence of the CWG Chair or Vice-Chair, another CWG member shall preside at the meeting. The CWG members shall be guided by Robert's Rules of Order in the conduct of CWG meetings. ERCOT staff shall be responsible for recording minutes of CWG meetings and distributing and posting on the ERCOT MIS Public Area the minutes and other communications to all CWG members and any other parties who express an interest in receiving such information. ERCOT staff shall endeavor to distribute and post the draft minutes of each meeting with materials being distributed for the next meeting. Generally, at the beginning of a CWG meeting, the minutes of the prior meeting shall be reviewed and approved by CWG.

CWG members and Alternate Representatives must meet the qualifications as identified on the attached Qualifications Guidelines for Credit Work Group Membership. The F&A Committee shall review the requirements for membership in the CWG annually.

This Charter shall be reviewed and ratified at least annually by the F&A Committee.

Additional Questions on the ERCOT Credit Work Group

For additional questions on ERCOT's Credit Work Group and creditworthiness requirements, please contact the ERCOT Credit Manager, Vanessa Spells at (512) 225-7014 or by email at vspells@ercot.com.

Effective on November 17, 2008

Qualification Guidelines for Credit Work Group Membership

Other than a CWG member appointed by a Consumer Board member, each CWG member must be an employee of a Corporate Member of ERCOT (as defined in the ERCOT By-Laws) in good standing. All CWG members and Alternate Representatives representing a Corporate Member must be actively engaged in or responsible for the credit activities of such Corporate Member.

All CWG members and alternate members must have experience in at least one or more of the following fields:

- Risk management (preferably credit risk management)
- Credit management and analysis
- Development and/or execution of credit risk policies and procedures
- Establishment and control of credit limits and terms
- Finance and/or loan administration
- Credit ratings analysis
- Commercial credit analysis
- Financial analysis

CWG members are encouraged to be active participants on the CWG.

Q&A only

ERCOT Market Credit Status

as of 8/31/2009

as of 9/30/2009

Exposure in the ERCOT Market (owed to ERCOT)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
7	25,430,029	8%	107,970,653	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	49	190,248,647	61%	369,901,462 S
Guarantee Agreements	17	95,961,816	31%	416,971,871 S
Total Exposure	73	311,640,492	100%	

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
9	13,987,002	7%	128,161,174	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	48	134,121,211	64%	345,059,359 S
Guarantee Agreements	15	60,993,036	29%	360,412,171 S
Total Exposure	72	209,101,249	100%	

Other QSEs in the ERCOT Market (ERCOT owes)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

QSEs that do not meet ERCOT Creditworthiness Standards

Ratings below BBB- or not rated

Cash & Letters of Credit

Guarantee Agreements

159

159

Total

86 (54,305,520) -100%

87 (38,844,796) -100%

Total

U: For QSEs that meet ERCOT's Creditworthiness Standards, amount of unsecured credit granted.

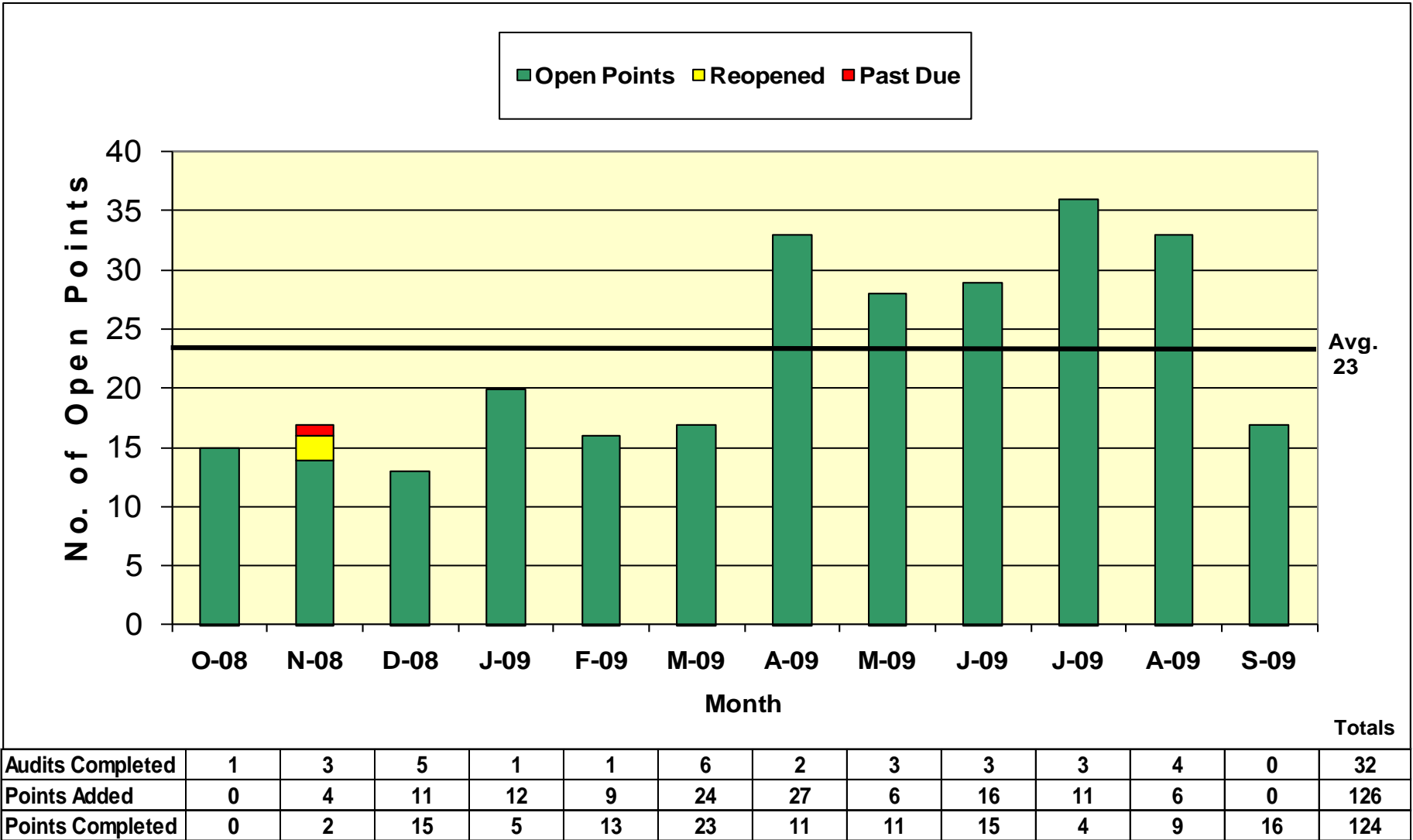
S: For QSEs that do not meet ERCOT's Creditworthiness Standards, amount of Security posted.

Note 1: Guarantee Agreements provided to meet a QSE's collateral requirements by entities that meet ERCOT's Creditworthiness Standards.

Guarantee Agreements provided to meet financial statement requirements by entities that do not meet ERCOT's Creditworthiness Standards are not included on this schedule.

12. Committee Brief: ICMP – Status of Open Audit Points

Cheryl Moseley



All but three open audit points projected to be complete by December 31, 2009.

Audits Completed

(last 3 months)

Internal Audits

- Procurement & Contract Administration
- Enterprise Risk Management
- Long-Term Technology Strategy
- Financial Reporting & Close
- Cash & Investments
- Q2 2009 Fraud Auditing
- Protocol 1.4 Required Audit – Independence Verification

External Audits

- Benefit Plan Audit (Maxwell Locke & Ritter)

Open Audits

Internal Audits

- Payroll Employee Onboarding, Transfer, Offboarding and Termination Processes
- Human Capital Metrics/ Benchmarks
- PDA and cell Phone Reimbursements (Special Request)
- Nodal Contract Management (Special Request)
- Incident/Problem Management REMEDY system
- Q3 2009 Fraud Auditing

External Audits

- 2009 SAS70 Audit (PricewaterhouseCoopers)
- Nodal Program Billings – ABB (Opportune LLP; Targeted Review; Internal Audit to Provide Support)

Planned Audits

(next 3 months)

Internal Audits

- Enterprise Resource Mgmt.
- Protocol 1.4 Required Audit – Ethics Compliance
- Employee Ethics Compliance
- Taylor Data Center Expansion (Special Request)
- New Data Center & Control Center (Special Request)
- Nodal Budget-to-Actual Mgmt (Special Request - Follow-up)
- Pre-Assessment Review of 28 NERC CIP Requirements (Special Request)

External Audits

**Consultation/
Analysis Reports
Completed**
(last 3 months)

External Assessments
Assessment of Nodal
NMMS































**Open Consultation/
Analysis Reviews**



External Assessments

**Planned Consultation/
Analysis Reviews**
(next 3 months)

External Assessments
1 security assessment
planned

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of October 1, 2009)**

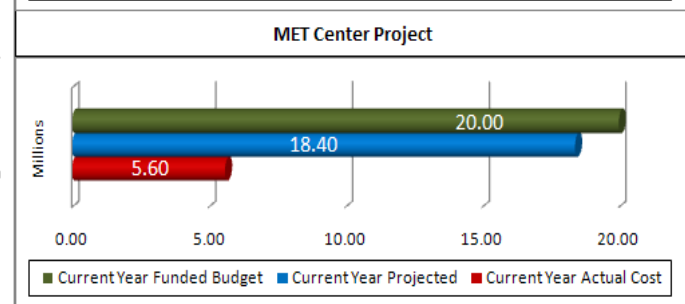
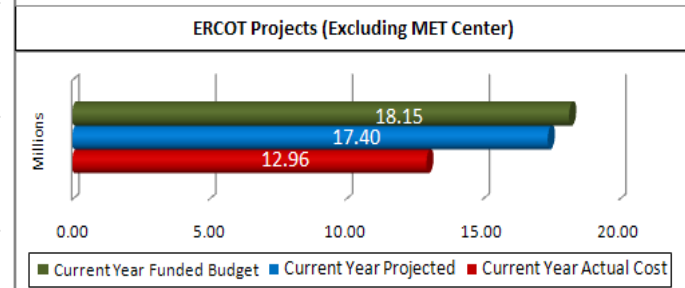
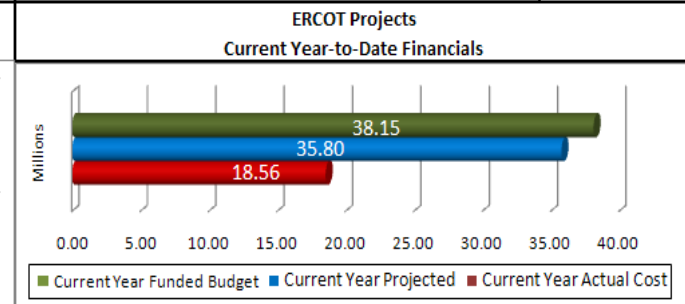
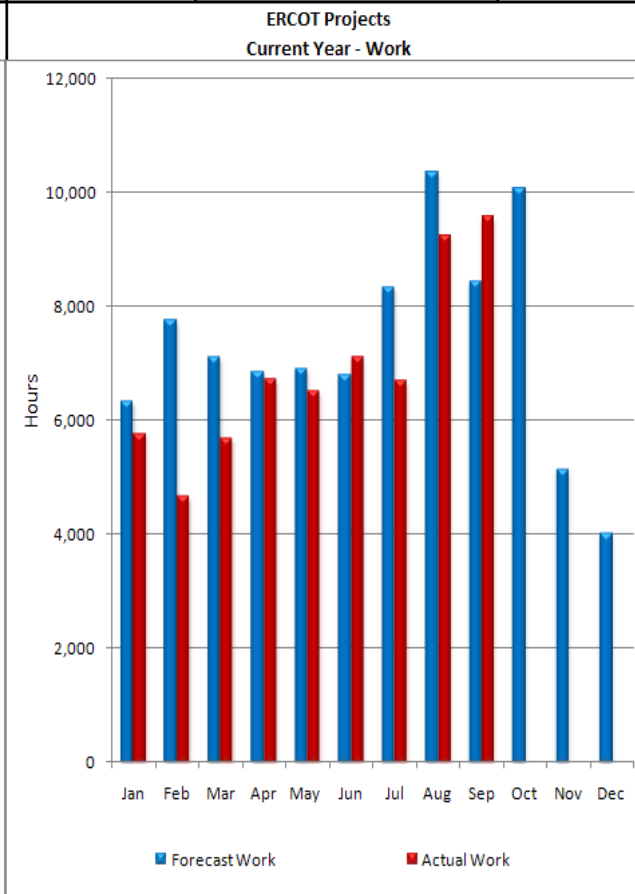
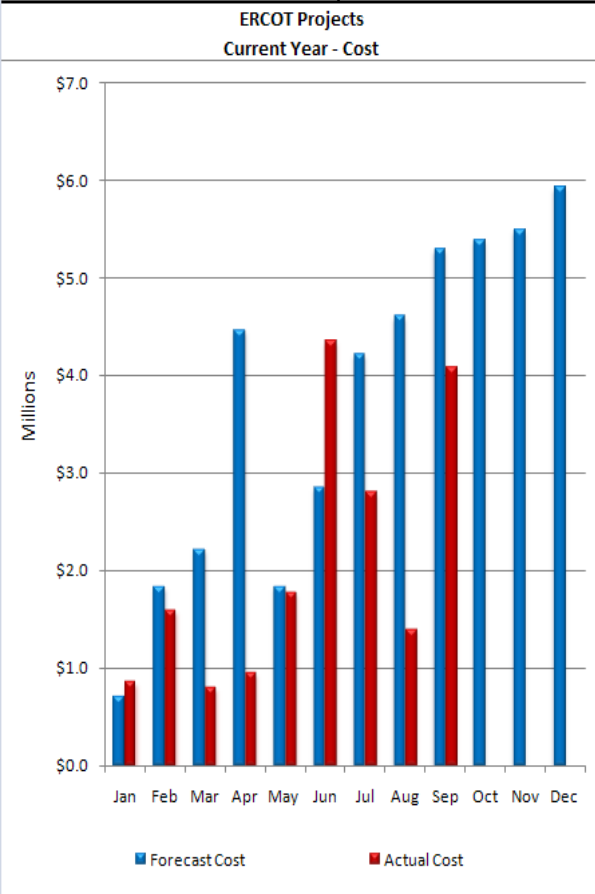
 Strategic	 Operational Excellence	 Market Facilitation	 Grid Reliability	 Reporting	 Legal and Regulatory Compliance
 Strategy Development <i>Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.</i>	 Performance Monitoring <i>Clearly defined and actively monitored performance metrics linked to mission and goals- Performance status communicated and corrective action taken.</i>	 Customer Choice <i>Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired.</i>	 Grid Operations <i>Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.</i>	 Review Practices <i>Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.</i>	 Legal & Legislative <i>Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.</i>
 Mission and Goals <i>Corporate objectives and performance standards are understood and followed.</i> Review of ERCOT's mission and strategic objectives will be accomplished by mid 2010. This review will include staffing and budget requirement necessary to achieve the strategic objectives.	 Business Practices <i>Business planning, processes and management standards are effective and efficient.</i>	 Nodal Implementation Project <i>Nodal Implementation on budget on schedule, and within defined scope.</i> SEM go-live completed on schedule and we are on target for the October release. The Program has completed the bottom-up estimating for Integration testing, the planning for Market Trials and have tied all project schedules to the Program budget.	 Planning <i>Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.</i> Demand for planning studies continues to increase. A list of studies desired by ERCOT and Stakeholders has been prioritized. ERCOT has applied for federal grants to supplement budget limitations to enable these studies to be completed in a timely fashion.	 Disclosure <i>Reporting and other disclosures to intended parties is timely, accurate and effective.</i>	 Internal Control Compliance <i>Internal Control Compliance, processes and management standards are effective and efficient.</i> ERCOT is developing processes to institutionalize the ongoing training on current policies and procedures for all ERCOT staff and contract workers.
 Reputation <i>Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.</i> Nodal fee increase approved. The approved 2010 base O&M budget will not require a fee increase. ▼ Loss of CFO in October and CEO in November will increase uncertainty in the short term. ▲	 Workforce <i>Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.</i> The rolling 12-month voluntary turnover has dropped to 3.2%. ERCOT readiness has developed a timeline and project plan for nodal. Recent lay-offs and continued strong demand for subject matter experts needed for Nodal project, on-going base projects and operations continue to be threats for a stable workforce. As of the end of September ERCOT was seeking to fill 11 positions. ERCOT.	 Counterparty Credit <i>Maintain credit risk exposure for overall market within acceptable limits.</i> A Market Credit Risk Standard was approved by the Board in May. Results of the potential credit exposure model for YE 2008 were reported to the F&A committee in August. Updates for 1st and 2nd quarter 2009 are expected by year end and 3rd quarter in January 2010.	 Bulk System Resources <i>Market Participants construct and make available adequate bulk electric grid resources.</i>	 Communication <i>Internal & external communications are timely and effective.</i>	 Industry Standards <i>Business practices provide stakeholders with required assurances of quality.</i> Preparation for 2010 NERC audits will create competition for subject matter expert resources. Broad scope of these audits and lack of precedent makes preparation difficult and time-consuming.
 Fiscal Management ↓ <i>ISO design requires competent, prudent and cost effective provision of services.</i> Record temperatures this summer helped narrow the revenue variance seen YTD, but with one quarter to go, revenues are still expected to come in below budgeted levels. However, lower costs of Zonal projects, along with cost containment measures have largely offset revenue shortfall. Barring any significant additional extraordinary costs, we expect to end 2009 at or below budget.	 Technology Infrastructure ↓ <i>Information systems, supporting facilities and data are effectively managed and are reliable.</i> The TCC1 data center building expansion is complete. Equipment is in place and final system moves are underway. Sufficient capacity for Nodal go-live and for the start of advanced metering are available with the completion of the TCC1 expansion. The Bastrop and TCC 3 data centers are under construction, with expected building availability at the end of 3rd quarter 2010 and occupancy and equipment relocations in mid 2011.	 Administration, Settlement & Billing <i>Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.</i>	 Operational Responsibility <i>Market participant conduct their operations in a manner which facilitates consistent grid reliability.</i> Response of generators and LaARs to grid operation events has improved. ▼ Lack of consensus continues over application of low voltage ride through, reactive power and frequency response requirements to existing renewables.	 Adequacy and Integrity <i>Robust processes exist to support management assertions embodied within financial reports.</i>	 Regulatory Filings <i>Evidence, testimony and other supporting materials are compelling and successful.</i>

Legend:  Elevated Risk Level  Reduced Risk Level

(New Risk Categories / Descriptions Indicated in Green)

ERCOT Enterprise Projects Summary Report

ERCOT		Overall Projects Report					Reporting Period:		9/30/2009	
Projects in Ercot's Portfolio							Portfolio Performance			
Deferred	Concept	On Hold	Initiation	Planning	Execution	Closing	Schedule	Budget		
4	1	1	0	4	19	5				
			Closed	17	Total Active					
			Cancelled	3	Projects Not Started				**Current Year Funded Budget:	
									\$38,150,000	



12. Investment Balances: September 30, 2009

Cheryl Yager

ERCOT Summary of Investments 9/30/2009

<u>Investment Account:</u> <i>(Data in thousands)</i>	<u>Chase</u> <i>Treasury and Repo</i>	<u>Federated 068</u> <i>Treasury and Repo</i>	<u>Federated 0125</u> <i>Treasury only</i>	<u>Evergreen 497</u> <i>Treasury and Repo</i>	<u>Invesco</u> <i>Treasury and Repo</i>	<u>Subtotal</u>
Operating	\$ 90	\$ 100	\$ -	\$ -	\$ -	\$ 190
TRE	-	2,198	-	-	-	2,198
Market	3,884	2,026	15	2,015	2,015	9,955
Deposit/Restricted	41,655	22,559	14,733	37,001	45,752	161,700
Total	\$ 45,629	\$ 26,882	\$ 14,748	\$ 39,016	\$ 47,767	\$ 174,042
% Investments:	26%	15%	9%	22%	28%	100%
		└──────────┘ 24%				

The Reserve:

- \$3.8 million in funds invested in the Reserve net of the distribution of \$0.9 million received on 10/2/09
- Accrued loss reduced by \$0.1 million to \$3.8 million
- The judge overseeing the case is targeting December 23, 2009 to resolve outstanding payments to shareholders

Account Diversification:

- In process of opening an additional investment account with BlackRock

Future Agenda Items – November 2009

- **Standing Internal Audit agenda items**
- **Review and assessment of compliance and internal control systems**
- **Review ERM standard**
- **Credit briefing – Potential Future Exposure**
- **Review and approval of Financial & Investment policies**
- **Financing update – 2010 needs**
- **Update on SAS 70 audit**
- **Standing Investment update**
- **Committee briefs**
- **Future agenda items**

Quarter 1

- √ •Elect officers and confirm financial qualifications
- √ •Vote on CWG Chair/Vice Chair

Quarter 2

- √•Report results of annual independent audit to the Board
- √•Review the procedures for handling Reporting violations
- √•Review results of annual audit, together with significant accounting policies (including required communications)
- N/A •Review ERCOT Annual Report
- √•Review operating plan and budget assumptions
- √•Review and approve Internal Audit Department Charter
- √•Conduct annual review of insurance coverage(s)
- √•Review the Company's dealings with any financial institutions that are also market participants

Quarter 3

- √•Appoint the independent auditors for upcoming year
- √•Approval of independent auditor fees for upcoming year
 - Review of committee charter
- √•Approve the Guidelines for Engagements of External auditors for Other Services (pre-approval policy)
 - Assessment of compliance, the internal control environment and systems of internal controls
- √•Review and approval of annual operating budget
 - Report by CWG Chair on ERCOT credit policy
- √•Review updated year-end forecast

Quarter 4

- Approve audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors
- Review and approval of Financial & Investment policies
- Approve scope of internal auditing plan for upcoming year
- Assessment of the adequacy and effectiveness of the Internal Audit staff
- Perform Finance & Audit committee Self Assessment
- Review requirements for membership in CWG
- Review and approve CWG charter
- Review updated year-end forecast
- Review the Company's dealings with any financial institutions that are also market participants
- Review scope of annual financial audit
- Review of external auditor quality control procedures and independence

Recurring Items

- Review minutes of previous meeting
- Report monthly matters to the Board (chair)
- Review EthicsPoint activity
- Review significant audit findings and status relative to annual audit plan
- Review investment results quarterly