

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

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

Pursuant to notice duly given, the Finance & Audit Committee ("Committee") of 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 **8:04 a.m.** The Committee met in Executive Session from **8:04 a.m. to 8:46 a.m.**, at which time it recessed to General Session.

General Session Attendance

Committee members:

Ballard, Don	Office of Public Utility Counsel	Residential Consumer	Not Present
Cox, Brad	Tenaska Power Services	Independent Power Marketer	Not 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	Not 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:

Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility	Present
Smitherman, Barry	Public Utility Commission of Texas	PUC Chairman	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT Staff and Guests:

Bowman, Roy	ERCOT – Interim VP and Chief Financial Officer
DiPastena, Phil	ERCOT – Enterprise Risk Manager
Doolin, Estrellita	ERCOT – Assistant General Counsel
Doggett, Trip	ERCOT – Interim President and Chief Executive Officer
Dreyfus, Mark	Austin Energy
Gillmore, Gina	ERCOT – Senior Financial Analyst
Gunn, Phil	Ernst & Young
Headrick, Bridget	Public Utility Commission of Texas
Kennedy, Aloma	Kennedy Court Reporting Service
Kolodzies, Eddie	Customized Energy Solutions
Leady, Vickie	ERCOT – Corporate Counsel
Manning, Chuck	ERCOT – Chief Compliance Officer
Morehead, Juliana	ERCOT – Associate Corporate Counsel
Morgan, Richard	ERCOT – Chief Information Officer
Petterson, Mike	ERCOT – Controller

Sisson, Taylor	Ernst & Young
Stephenson, Randa	Luminant
Torrent, Garry	Office of Public Utility Counsel
Wullenjohn, Bill	ERCOT – Director of Internal Audit
Yager, Cheryl	ERCOT – Treasurer

Approval of Prior Meeting General Session Minutes

Michehl Gent moved to approve the minutes for the General Session of the Committee meeting held on November 17, 2009. Dan Wilkerson seconded the motion. The motion passed by voice vote with one abstention (Calvin Crowder).

Vote on Items from Executive Session

Chairman Karnei announced that there were two voting items from Executive Session.

Approval of the 2010 Internal Audit Plan

Calvin Crowder moved to approve the Internal Audit Department Proposed Audit Plan for 2010 as presented in materials distributed prior to the meeting; Michehl Gent seconded the motion. The motion passed by voice vote.

Approval of Financing Matter

Dan Wilkerson moved to recommend that the Board authorize and approve ERCOT staff to take the actions related to the revolving credit financing proposal as presented in materials distributed prior to the meeting (including any minor changes to language meant to clarify “debt reduction” and “debt avoidance” concepts); Calvin Crowder seconded the motion. The motion passed by voice vote.

Dealings with any Financial Institutions That Are Also Market Participants

Cheryl Yager explained that every six months and as contracts are negotiated, staff discloses to the Committee financial institutions that provide (or might provide in the case of a contract being negotiated) services to ERCOT that are also Market Participants. Ms. Yager informed the Committee that both JPMorgan Chase and Bank of America continue to provide services to ERCOT and operate in the ERCOT market (either directly or indirectly).

Update of 2009 Financial Forecast

Mike Petterson informed the Committee that staff projected a favorable variance between budget and actual of approximately \$100,000 at year-end. He mentioned several variables attributing to the favorable variance and responded to questions.

Review Scope of Annual Financial Audit

Mr. Petterson outlined Committee responsibilities under the Finance & Audit Committee Charter related to independent audits including naming an independent audit firm each year, obtaining a report from the firm on their audit practices and certifying their independence.

Review External Auditor Quality Control Procedures and Independence

Representatives from Ernst & Young (Philip Gunn, Account Partner and Taylor Sisson, Senior Manager) presented information to the Committee in an effort to provide comfort with the firm’s processes for ensuring independence and an understanding of the firms planned approach for the 2009 Financial Statement Audit.

Review of Finance and Audit Committee Self-Assessment

Mr. Karnei directed the Committee to the materials provided prior to the meeting that set out the questions, scoring and comments for the Finance & Audit Committee annual self-assessment. He then held a discussion with Committee members on several topics addressed in the assessment findings. After discussion, the Committee agreed that a revision of the assessment questions was in order. Mr. Espinosa then asked about the possibility of getting Ernst & Young to provide best practice suggestions for Finance

& Audit Committees. Mr. Gunn agreed to review the self-assessment and governance documents and offer input in connection with the Financial Statement audit work conducted before April 30, 2010.

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")
5. Investment Update

Mr. Karnei asked about the reduced number of QSEs listed in the Market Credit Status report. Ms. Yager responded that the reduction was due to administrative/non-substantive market exits.

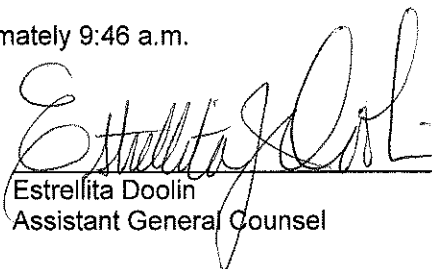
Future Agenda Items

The following items were identified as future agenda items:

1. Standing Internal Audit agenda items
2. Review of the updated year-end forecast
3. Credit Briefing on potential future risk
4. Elect Officers and confirm financial qualifications
5. Review of ERM Standard
6. Committee briefs
7. Future agenda items

Adjournment

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



Estrellita Doolin
Assistant General Counsel