

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

7620 Metro Center Drive (Room 206) – Austin, Texas 78744
January 19, 2010

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 **8:02 a.m.** The Committee immediately went into General Session then went into Executive Session at **8:15 a.m.**, where it remained until it recessed back to General Session at approximately **8:56 a.m.**

General Session Attendance

Committee members:

Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility	Present
Dreyfus, Mark	Austin Energy	Municipal	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Fehrenbach, Nick	City of Dallas	Commercial Consumers	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Karnei, Clifton (Chair)	Brazos Electric Power Cooperative	Cooperative	Present
Zlotnik, Marcie	StarTex Power	Independent REP	Present

Other Board Members and Segment Alternates:

Smitherman, Barry	Public Utility Commission of Texas	PUC Chairman	Present
Walker, Mark	NRG Texas	Independent Generator	Present
Whittle, Brandon	DB Energy Trading, LLC	Independent Power Marketer	Present

ERCOT Staff and Guests:

Adams, Jack	ERCOT - Manager of Retail Client Services & Market Analysis
Baker, Randy	ERCOT – Director, Credit Risk Management
Berill, Rob	GMEC
Bowman, Roy	ERCOT – Interim Vice President & Chief Financial Officer
Day, Betty	ERCOT – Director of Markets
DiPastena, Phil	ERCOT – Enterprise Risk Manager
Doggett, H.B. “Trip”	ERCOT – Interim President and Chief Executive Officer
Doolin, Estrellita	ERCOT – Assistant General Counsel
Forfia, David	ERCOT – Director, IT Infrastructure
Gillmore, Gina	ERCOT – Senior Financial Analyst
Jefferis, Don	Opportune, Inc.
Jones, Liz	Oncor

Jones, Randy	Calpine
Manning, Chuck	ERCOT – Chief Compliance Officer
Morehead, Juliana	ERCOT – Associate Corporate Counsel
Morris, Sandy	Lower Colorado River Authority
Petterson, Michael	ERCOT - Controller
Stauffer, Tarra	ERCOT – Legal Assistant
Walker, DeAnn	CenterPoint Energy
Wullenjohn, Bill	ERCOT – Director of Internal Audit
Yager, Cheryl	ERCOT – Treasurer

Election of Finance & Audit Committee Chairman and Vice Chairman

Mr. Gent moved to recommend that Clifton Karnei be re-elected Chairman and Miguel Espinosa be re-elected Vice Chairman of the Finance & Audit Committee. Mr. Dreyfus seconded the motion. The motion passed unanimously with no abstentions.

Confirmation of Financial Qualifications and Committee Membership

The Committee discussed the requirements for Committee membership. Mr. Karnei stated that he and Mr. Espinosa were designated “financial experts” in the past, and continue to meet the definition of that term. Several Committee members disclosed their finance and/or accounting experience, to ensure compliance with the Committee Charter.

Approval of Prior Meeting General Session Minutes

Mr. Crowder moved to approve the minutes for the General Session of the Committee meeting held on December 15, 2009. Mr. Gent seconded the motion. The motion passed unanimously with no abstentions.

Quarterly Investment Update

Cheryl Yager directed the Committee to materials provided prior to the meeting and presented the Committee members with an overview of the quarterly report for the fourth quarter of 2009. Ms. Yager noted that rates were very low during the period. She pointed out one fund that had a high average balance, noting that 1) the fund had held monies in excess of \$50 million prior to the cap going in place in November and that 2) staff had worked through December to get the fund within the \$50 million cap. She noted that she did not expect an issue with the \$50 million cap going forward. Mr. Crowder inquired about the Texas Regional Entity (TRE)’s separation from ERCOT bank accounts. Ms. Yager stated that she believed when the TRE was ready, the TRE would open their own bank accounts, where after ERCOT would transfer TRE funds to the TRE and close the TRE accounts opened by ERCOT, and remove said funds from ERCOT schedules.

Credit Briefing

Randy Baker provided the Committee with a high-level overview of ERCOT’s third quarter potential credit risk exposure simulation results.

He informed the Committee that an issue to be aware of in 2010 is the conversion from Zonal to Nodal, because it would be the last time to run a full year simulation. Mr. Baker then solicited thoughts from the Committee concerning its expectations, as well as any

impacts/questions/concerns it may have between now and NODAL go-live. Ms. Yager commented that ERCOT could run six month or year models to provide the Committee with a comparison to the 2009 results. Mr. Baker and Ms. Yager stated that they believed running the model with both a full year and six-month term would be ideal. Mr. Karnei agreed, and expressed the need to run the models as soon as Q2 due to credit implications with the transition to Nodal.

Mr. Baker spoke about a stress case conducted by ERCOT that took a gas curve on a consistent percentage across the board to see the effects on losses for the entire simulation. He noted that the risk levels were fairly consistent. Mr. Baker assured the Committee that he would be presenting further details to the Board in the afternoon meeting. He then explained that the model was designed to simulate all defaults which could occur within a given time period, (i.e., simulate power prices), and then provide levels of loss. Mr. Baker emphasized the importance of undertaking stress cases to understand how changes in risk elements could potentially affect losses.

Committee Briefs

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

1. Market Credit
2. Internal Control Management Program ("ICMP")
3. Risk Management
4. Project Management Organization ("PMO")
5. Investment Update

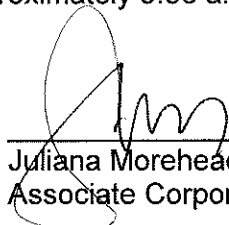
Future Agenda Items

The following items were identified as future agenda items:

1. Standing Internal Audit agenda item
2. Review of the ERM Standard
3. Elect Credit Work Group Officers
4. P-Card Program presentation
5. IT Disaster Recovery Plan discussion
6. Risk Quarterly Review
7. Committee briefs
8. Future agenda items

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:56 a.m.



Juliana Morehead
Associate Corporate Counsel