



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

7620 Metro Center Drive (Room 206) – Austin, Texas 78744  
January 17, 2011

Pursuant to notice duly given and after determination by the Committee Chairman that a quorum was present, the meeting of the Finance and Audit Committee (Committee) of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

**General Session Attendance**

**Committee Members:**

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

**Other Board Members and Segment Alternates:**

Doggett, Trip	ERCOT	Chief Executive Officer
Doll, Laura	Unaffiliated Board Member	Unaffiliated Board Member (beginning with Agenda Item 7)
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member, Acting Board Chairman
Givens, Sheri	Office of Public Utility Counsel	Consumer/Residential
Helton, Bob	International Power America Services	Independent Generator

**ERCOT Staff and Guests:**

Cobos, Lori	ERCOT Associate Corporate Counsel
Cleary, Mike	ERCOT Vice President and Chief Operations Officer



Greshem, Kevin	E.ON Climate and Renewables NA (Segment Alternate for Bob Helton, Independent Generator Segment)
Hendrick, Eric	Stream Energy (Segment Alternate for Marcie Zlotnick, Independent Retail Electric Provider)
Leady, Vickie	ERCOT Senior Corporate Counsel and Assistant Corporate Secretary
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary
Manning, Chuck	ERCOT Vice President and Chief Compliance Officer
Morgan, Richard	ERCOT Vice President and Chief Information Officer
Nikazm, Tamila	Austin Energy – Credit Work Group
Ogelman, Kenan	CPS Energy (Technical Advisory Committee (TAC) Vice Chair)
Petterson, Mike	ERCOT Controller
Prochazka, Scott	CenterPoint Houston Electric (Segment Alternate for Calvin Crowder, Investor Owned Utility)
Saathoff, Kent	ERCOT Vice President of Grid Operations and System Planning
Wullenjohn, Bill	ERCOT Director of Internal Audit
Yager, Cheryl	ERCOT Treasurer

### **Call to Order General Session (1a)**

Chairman Karnei convened the General Session of the F&A Committee meeting at approximately 2:06 p.m. and addressed the following Agenda Items in the order below.

### **Elect Chairman and Vice Chairman (Agenda Item 1b)**

**Calvin Crowder made a motion to re-elect Clifton Karnei as the Committee Chair for 2011 and elect Jorge Bermudez as the Committee Vice Chair for 2011. Marcie Zlotnick seconded the motion. The motion passed by unanimous voice vote.**

Laura Doll and Mr. Crowder commended Mr. Karnei and Mr. Espinosa for their diligent work as Committee Chair and Vice Chair in 2010 and thanked Mr. Karnei for his willingness to serve as the Committee Chair for another year.

### **Confirm Financial Qualifications and Committee Membership (Agenda Item 2)**

Chairman Karnei noted that he met the financial qualifications in prior years to serve as the Committee's financial expert and the Committee met the membership requirement of having at least five Board members, three Market Segment representatives, and two Unaffiliated Directors on the Committee. Mike Petterson confirmed that Mr. Karnei met the financial qualification requirements to serve as the Committee's financial expert and the Committee met the membership requirements in the Committee Charter.



### **Approval of General Session Minutes – December 13, 2010 (Agenda Item 6)**

Mr. Karnei entertained a motion to approve the December 13, 2010 General Session F&A Committee meeting minutes (Minutes).

**Calvin Crowder made a motion to approve the Minutes. Jorge Bermudez seconded the motion. The motion passed unanimously by voice vote.**

### **Review and Assess Adequacy of Committee Charter (Agenda Item 7)**

Mr. Petterson informed the Committee that the Review and Assessment of the Adequacy of the Committee Charter (Charter) was an annual requirement. Mr. Petterson noted that the suggested changes to the Charter were comprised of edits and reorganization to improve the clarity of the Charter and make the Charter more consistent with the Human Resources and Governance (HR&G) Committee Charter and other ERCOT governance documents. Mr. Petterson noted that some proposed revisions related to the Committee's authority to make decisions at the Committee level versus making recommendations to the ERCOT Board for approval. Mr. Petterson further noted that other proposed revisions discretely identified the Committee's audit responsibilities, particularly relating to ERCOT's Financial Statements Audit, SAS70 Audit (which will be called the SSAE16 Audit going forward), and 401(k) Plan Audit. Mr. Petterson received feedback from the Committee members on the proposed revisions to the Charter and committed to bring back a redlined Charter, including the Committee members' suggested changes, to the February Committee Meeting for approval.

Bill Magness noted that a proposed revision was made to the quorum requirement in both the F&A Committee and HR&G Committee Charters to make both Charters consistent and clarify that a quorum will exist when a majority of a Committee is duly constituted to conduct business in accordance with the Committee Charter.

### **Review F&A 2011 Yearly Schedule (Agenda Item 8)**

Mr. Petterson provided a proposed 2011 Yearly Schedule for informal approval by the Committee. After Committee member discussion, Chairman Karnei confirmed that Committee members preferred to continue holding twelve meetings per year, reviewing all EthicsPoint violations and reports, reviewing the 401(k) Audit, and meeting with the 401(k) auditor.

**Miguel Espinosa made a motion to approve the 2011 Yearly Schedule without the proposed changes. Jorge Bermudez seconded the motion. No Committee members voiced concerns.**

### **Credit Update (Agenda Item 9)**

#### **Credit Work Group Status Update**

Tamila Nikazm provided the Committee with an overview of the Credit Work Group (CWG) and Market Credit Working Group's (MCWG) proposed 2011 projects and timelines that were developed due to concerns raised at last month's Committee meeting related to Nodal credit



calculations, Congestion Revenue Rights (CRR) auction credit validation, core calculations in Credit Monitoring and Management (CMM), netting neutrality of first priority interests, unsecured credit, and review of ERCOT's investment practices. Ms. Nikazm noted that CWG and MCWG would be holding a joint meeting to develop subgroups and a plan to move forward with the proposed projects, and CWG would provide updates on the project implementation progress to the Committee throughout 2011.

#### ERCOT Status Update

Cheryl Yager informed the Committee members that credit exposure remained relatively flat compared to the Zonal market during the first month of the Nodal market, with credit exposure at approximately \$400 million at the end of October and \$331 million at the end of December. Ms. Yager noted that there was a slight increase in collateral from the prior month. Ms. Yager noted that she would be providing the Committee with a new standing Benchmark Report in the ERCOT Credit Update to provide context around how much potential forward risk is covered by ERCOT's collateral calculation. Ms. Yager discussed the Benchmark Report included in the Committee materials.

#### Results of F&A Committee Self Assessment (Agenda Item 10)

Mr. Karnei discussed the results of the Committee's self assessment, including comments made by Committee members.

#### Committee Briefs (Agenda Item 11)

None.

#### Future Agenda Items (Agenda Item 12)

The following items were identified as Future Agenda Items:

1. Review and Assess Adequacy of Committee Charter
2. Review and Recommend Investment Standard
3. Review and Recommend Financial Standard
4. Handling Complaints Regarding Financial Matters
5. Hiring Former Employees of the Independent Auditor
6. Appointment of CWG Chair and Vice Chair
7. Periodic Meeting with Senior Management
8. Periodic Investment and Liquidity Reports
9. Periodic Potential Future Exposure Report
10. Standing Internal Audit Agenda Items
11. Standing ERCOT Credit Status Report
12. Standing CWG Status Report
13. Standing EthicsPoint update
14. Standing Contracts, Personnel, Litigation, and Security
15. Standing Committee Briefs



16. Standing Future Agenda Items

**Other Business (Agenda Item 13)**

None.

**Adjournment**

Mr. Karnei adjourned the meeting at approximately **2:59 p.m.**

Committee materials and presentations from the meeting are available on ERCOT's website at:  
[http://www.ercot.com/committees/board/finance\\_audit/](http://www.ercot.com/committees/board/finance_audit/)

A handwritten signature in black ink that reads "Lori Cobos". The signature is written over a horizontal line.

Lori Cobos  
Associate Corporate Counsel