



**MINUTES OF THE FINANCE AND AUDIT COMMITTEE  
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
October 17, 2011 at 12:30 p.m.

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

**Meeting Attendance:**

Committee Members:

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Bermudez, Jorge (Vice Chairman)	Unaffiliated	Unaffiliated Director
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility (except for Call to Order and Agenda Item 1)
Dreyfus, Mark	Austin Energy	Municipal
Espinosa, Miguel	Unaffiliated	Unaffiliated Director (except for Call to Order and Agenda Item 1)
Hendrick, Eric	Stream Energy	Independent Retail Electric Provider (REP)
Karnei, Clifton (Chairman)	Brazos Electric Power Cooperative	Cooperative

Guest Board Members and Segment Alternates:

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Barker, Laurie	Office of Public Utility Counsel	Residential Consumer – Alternate Representative for Sheri Givens (during vote on Executive Session matters only)
Dalton, Andrew	Valero Services, Inc.	Industrial Consumer (during vote on Executive Session matters only)
Doggett, Trip	ERCOT	President and Chief Executive Officer (CEO)
Doll, Laura	Unaffiliated	Unaffiliated Director (except for Call to Order and Agenda Items 1 through 2)
Gent, Michehl	Unaffiliated	Unaffiliated Director (except for Call to Order and Agenda Item 1)
Nelson, Donna	Public Utility Commission of Texas (PUCT)	Chairman (except for Call to Order and Agenda Items 1 through 3)



Other Guests:

Beckham, Rebecca	ERCOT Manager of Financial Reporting
Day, Betty	ERCOT Vice President of Business Integration
Dreyer, Jerry	ERCOT Vice President and Chief Information Officer
Gunn, Philip	Ernst & Young Engagement Partner
Ledy, Vickie	ERCOT Assistant General Counsel and Assistant Corporate Secretary
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary
Manning, Chuck	ERCOT Vice President of Human Resources and Chief Compliance Officer
Nikazm, Tamila	Austin Energy – Vice Chair of Credit Work Group
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Sisson, Taylor	Ernst & Young Senior Manager
Wiley, Leslie	ERCOT Manager of Treasury
Wullenjohn, Bill	ERCOT Director of Internal Audit
Yager, Cheryl	ERCOT Director of Credit

**Call Open Session to Order and Announce Proxies**

Clifton Karnei, Committee Chairman, determined that a quorum was present and called the Committee meeting to order at approximately 12:32 p.m.

**Approval of September 19, 2011 Meeting Minutes (Agenda Item 1)**

Chairman Karnei entertained a motion to approve the September 19, 2011 Committee General Session Meeting Minutes (Minutes).

**Eric Hendrick moved to approve the Minutes as presented. Mark Dreyfus seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Update on Commodities Exchange Act Exemption (Agenda Item 2)**

Mark Ruane provided an update on the Commodities Exchange Act Exemption to the Committee members. Mr. Ruane responded to comments and questions from the Committee members.

**Recommend Board Approval of Revisions to ERCOT's Creditworthiness Standard (Agenda Item 3)**

Cheryl Yager provided a report regarding ERCOT's Creditworthiness Standard (Standard) and responded to comments and questions from the Committee members. Ms. Yager requested that the Committee recommend the Standard for Board approval.

**Calvin Crowder moved to recommend Board approval of revisions to the Standard as presented. Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



**Receive Report on Auditor Independence from Ernst & Young (E&Y) regarding the Financial Statement Audit (Agenda Item 4)**

Rebecca Beckham introduced Philip Gunn and Taylor Sisson with E&Y. Mr. Gunn reaffirmed E&Y's auditor independence, provided E&Y's audit plan and reviewed informational accounting and auditing updates. Ms. Beckham and Mr. Gunn responded to comments and questions from the Committee members.

**Review and Approve Finance and Audit Committee Self-Assessment Questionnaire (Agenda Item 5)**

Mike Petterson reviewed the Committee self-assessment questionnaire and responded to comments and questions from the Committee members.

**Review Committee Briefs – Credit Statistics; Exposure Benchmark Report; Investment Summary; Risk Spotlight Report; and Audit Activity (Agenda Items 6, 6a through 6e)**

Mr. Petterson invited questions on the Committee brief reports. Mr. Ruane responded to comments and questions from the Committee members on the risk spotlight report.

**Future Agenda Items – Review December 2011 Meeting Matrix and Review Preliminary 2012 Meeting Matrix (Agenda Item 7)**

Mr. Petterson reviewed the future agenda items for the December 2011 Committee meeting and the preliminary 2012 meeting matrix with the Committee members. Mr. Petterson and Bill Magness responded to comments and questions from the Committee members regarding the 2012 Committee meeting schedule.

**Other Business (Agenda Item 8)**

Mr. Petterson reported that an increase to the Wide Area Network (WAN) user fee was expected to be considered by the Board as a voting item at its meeting on the following day. Hearing no objections by the Committee members, Chairman Karnei recommended that this item be addressed by the Board as scheduled without additional discussion by the Committee at that time.

**Executive Session (Agenda Items 9 through 11)**

Chairman Karnei adjourned the meeting into Executive Session at approximately 1:40 p.m. and reconvened the Open Session at approximately 3:00 p.m.

**Vote on Executive Session Matters**

Chairman Karnei entertained motions on two matters considered during Executive Session.

**Mr. Espinosa moved to recommend that the Board select E&Y as the qualified public accounting firm to audit ERCOT's financial statements at December 31, 2011, and the year then ending. Jorge Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Mr. Espinosa moved to recommend that the Board designate the Vice President of Finance and Treasury as the successor to the Chief Financial Officer, Treasurer and Controller for the purpose of complying with ERCOT's existing contractual obligations and that the**



Board ratify and confirm all actions taken by the Vice President of Finance and Treasury in lieu of the Chief Financial Officer, Treasurer and Controller for the purpose of complying with ERCOT's existing contractual obligations. Mr. Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.

**Adjournment**

Chairman Karnei announced that the Committee had no other business to consider and adjourned the Committee meeting at approximately 3:02 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 cursive script that reads "Vickie G. Leady".

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Vickie G. Leady  
Assistant Corporate Secretary