



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

Electric Reliability Council of Texas, Inc.  
7620 Metro Center Drive (Room 206), Austin, Texas 78744  
April 16, 2012; 1:00 p.m.-5:00 p.m.

Pursuant to notice duly given, 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.

Committee Members:

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Hendrick, Eric	Stream Energy	Independent Retail Electric Provider (REP)
Karnei, Clifton (Chairman)	Brazos Electric Power Cooperative, Inc.	Cooperative; Proxy for Jorge Bermudez (Vice Chairman)
Prochazka, Scott	CenterPoint Energy Houston Electric, LLC	Investor Owned Utility
Walsh, Judy	Unaffiliated	Unaffiliated Director

Guest Board Members and Segment Alternates:

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Anderson, Kenneth	Public Utility Commission of Texas (PUCT or Commission)	Commissioner ( <i>Except for Agenda Items 1-4</i> )
Bowling, Shannon	Cirro Group	Independent REP Segment Alternate
Nelson, Donna	PUCT	Chairman ( <i>Except for Agenda Items 1-13a</i> )

Other Guests:

Beckham, Rebecca	ERCOT Manager of Accounting
Day, Betty	ERCOT Vice President of Business Integration
Gunn, Philip	Ernst & Young, LLP Partner
Lady, Vickie	ERCOT Assistant General Counsel and Assistant Corporate Secretary
Nikazm, Tamila	Austin Energy, Credit Work Group Chair
Petterson, Michael	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Sisson, Taylor	Ernst & Young, LLP Senior Manager



Wiley, Leslie	ERCOT Manager of Treasury
Wolff, Freddy	ERCOT Manager Budget and Financial Analysis
Wullenjohn, Bill	ERCOT Director of Internal Audit

**Call Open Session to Order and Announce Proxies (Agenda Item 1)**

Chairman Clifton Karnei determined that a quorum was present and called the meeting to order at approximately 1:01 p.m. Chairman Karnei announced that he held the proxy for Jorge Bermudez and that Barbara Clemenhagen, Independent Generator Segment Alternate, might be serving in Kevin Gresham's absence. Chairman Karnei addressed the following Agenda Items in the order below.

**Approve February 20, 2012 General Session Minutes (Agenda Item 2)**

Chairman Karnei entertained a motion to approve the February 20, 2012 F&A Committee General Session Meeting minutes (Minutes).

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

**Review and Recommend Board Approval of Revisions to ERCOT's Surety Bond Standard Form (Agenda Item 3)**

Vickie Leady, ERCOT Assistant General Counsel and Assistant Corporate Secretary, presented the recommended changes to ERCOT's Surety Bond Standard Form. Ms. Leady and Mark Ruane, ERCOT Vice President of Credit and Enterprise Risk Management, responded to questions from Chairman Karnei.

**Judy Walsh moved to recommend the proposed revisions to ERCOT's Surety Bond Standard Form as presented to the Board for approval. Mr. Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Review Debt Structure Recommended by Management (Agenda Item 4)**

Leslie Wiley, ERCOT Manager of Treasury, presented the debt structure plan recommended by ERCOT management. Chairman Karnei noted that this topic would be discussed in further detail with the Committee members during the Executive Session of the meeting.

**Review Management's Recommended 2013 Budget (Agenda Item 5)**

Freddy Wolff, ERCOT Manager of Budget and Financial Analysis, presented the 2013 Budget recommended by ERCOT management. Michael Petterson, ERCOT Vice President of Finance and Treasury, Mr. Wolff and Mr. Ruane responded to questions and comments from Committee members. After requesting the Committee members' feedback, Chairman Karnei noted the Committee's concurrence with ERCOT management's recommended 2013 Budget. He added that ERCOT staff would be seeking the Committee's recommendation for Board approval of the recommended 2013 Budget in June or July 2012.

Later in the meeting, Mr. Petterson commended his staff for their dedicated efforts on the 2013 Budget and recognized the following ERCOT Finance staff: Gina Gilmore, Senior Financial Analyst; Valerie Ross, Senior Financial Analyst; Misti Spacek, Senior Financial Analyst; and Erica Rose, Financial Analyst.



**Review Adequacy of and Recommend Board Approval of the Finance and Audit Committee Charter (Agenda Item 6)**

In connection with the Committee's annual review of the Finance and Audit Committee Charter (Committee Charter), Chairman Karnei noted that ERCOT management recommended no changes to the Committee Charter.

**Nick Fehrenbach moved to recommend the Committee Charter as presented to the Board for approval. Mr. Prochazka seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Review Adequacy of Credit Work Group Charter (Agenda Item 7)**

Mr. Ruane presented the proposed modifications to the Credit Work Group (CWG) Charter, which were approved by the CWG, to the Committee members.

**Ms. Walsh moved to approve the CWG Charter as presented. Mr. Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Receive Periodic Report on Credit Work Group Activity (Agenda Item 8)**

Tamila Nikazm, CWG Chair, provided an update on recent completed and ongoing CWG activity. There were no questions or comments from Committee members.

**Review and Recommend Board Approval of the Financial Corporate Standard (Agenda Item 9)**

Ms. Wiley presented the proposed Financial Corporate Standard which addressed the Committee members' suggested changes provided at the February 20, 2012 F&A Committee meeting. Ms. Wiley and Mr. Petterson responded to questions and comments from Committee members.

**Mr. Hendrick moved to recommend the Financial Corporate Standard as presented to the Board for approval. Mr. Prochazka seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Review and Recommend Board Approval of the Investment Corporate Standard (Agenda Item 10)**

Ms. Wiley presented the proposed Investment Corporate Standard which addressed the Committee members' suggested changes provided at the February 20, 2012 F&A Committee meeting. Ms. Wiley responded to questions and comments from Committee members and PUCT Commissioner Kenneth Anderson.

**Ms. Walsh moved to recommend the Investment Corporate Standard as presented to the Board for approval. Mr. Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Authorize Engagement of the Independent Auditor to Perform Non-Audit Services (Agenda Item 11)**

Rebecca Beckham, ERCOT Manager of Accounting, reviewed the Committee Charter provisions and provided an update on the proposed engagement services of the independent auditor, Ernst &



Young, LLP, to perform up to \$10,000 in non-audit, advisory services in connection with the review of ERCOT's 2011 Internal Revenue Service (IRS) Form 990.

**Mr. Hendrick moved to authorize and approve the engagement of the independent auditor, Ernst & Young, to perform up to \$10,000 in non-audit, advisory services in connection with the review of ERCOT's 2011 IRS Form 990. Mr. Prochazka seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Review Committee Briefs (Agenda Item 12)**

Mr. Petterson reviewed the Committee Briefs with the Committee members.

**Receive Periodic Report from ERCOT's Independent Auditor – Discuss Audited Financial Statements (Agenda Items 13 and 13a)**

Ms. Beckham introduced Philip Gunn and Taylor Sisson of Ernst & Young, LLP. Mr. Gunn and Mr. Sisson reviewed the materials related to ERCOT's 2011 Audited Financial Statements and indicated that Ernst and Young was prepared to issue an unqualified opinion on such Financial Statements. In connection with such audit and in response to Mr. Sisson's inquiry whether the Committee was aware of any fraud or illegal acts of which Ernst & Young may not be aware, Chairman Karnei inquired whether the Committee members were aware of any such acts and there was no response from any of the Committee members. Mr. Gunn and Ms. Beckham responded to questions and comments from Committee members.

**Receive Education on Accounting Developments (Agenda Item 13b)**

Mr. Gunn reviewed materials related to recent accounting developments with the Committee members and responded to questions and comments from Committee members.

Donna Nelson, PUCT Chairman, joined the meeting and called an Open Meeting of the Commission to order to consider matters which had been duly posted with the Texas Secretary of State for April 16, 2012.

**Review and Recommend Board Acceptance of 2011 Audited Financial Statements (Agenda Item 13c)**

Chairman Karnei entertained a motion to recommend Board acceptance of ERCOT's 2011 audited financial statements with some minor, non-substantive language changes and completion of the date for the subsequent events footnote as discussed during the meeting.

**Mr. Fehrenbach moved to recommend ERCOT's 2011 audited financial statements, with some minor, non-substantive language changes and completion of the date for the subsequent events footnote as discussed during the meeting, to the Board for acceptance. Mr. Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Future Agenda Items (Agenda Item 14)**

Mr. Petterson reviewed the 2012 Annual Meeting Planner with the Committee members. No Future Agenda Items were proposed by Committee members at this time.



**Other Business (Agenda Item 15)**

No other business was considered at this time.

**Executive Session (Agenda Items 16-19)**

Chairman Karnei adjourned the meeting into Executive Session at approximately 2:23 p.m. and reconvened Open Session at approximately 3:06 p.m.

**Vote on Matters from Executive Session (Agenda Item 20)**

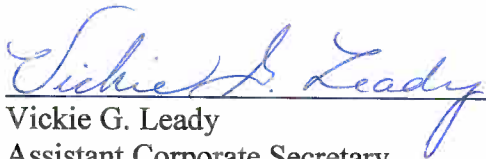
Chairman Karnei entertained a motion on two matters as discussed during Executive Session.

**Mr. Hendrick moved to recommend the two Contract matters related to ERCOT's debt restructuring plan (noted in the Board Executive Session meeting materials as Agenda Items 27a and 27b) to the Board for approval. Mr. Prochazka seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Adjournment**

Chairman Karnei adjourned the meeting at approximately 3:08 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/)

  
\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary