



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

7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
November 12, 2012

Pursuant to notice duly given and after determination that a quorum was present, the meeting of the Finance & 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
Carpenter, Mark	Oncor Electric Delivery Company	Investor-Owned Utility Segment Alternate
Fehrenbach, Nick	City of Dallas	Consumer – Commercial ( <i>Proxy for Eric Hendrick</i> )
Gent, Michehl	Unaffiliated	Unaffiliated Director
Karnei, Clifton (Chairman)	Brazos Electric Power Cooperative Inc.	Cooperative
Walsh, Judy	Unaffiliated	Unaffiliated Director

Guest Board Members and Segment Alternates:

<b>Director/ Segment Alternate</b>	<b>Affiliation</b>	<b>Segment</b>
Bivens, Danny	Office of Public Utility Counsel	Consumer – Residential ( <i>Alternate Representative for Public Counsel Sheri Givens</i> )
Crowell, Craven	Unaffiliated	Unaffiliated Director ( <i>through Agenda Tab 6.2</i> )
Doggett, H.B. “Trip”	ERCOT	President and Chief Executive Officer (CEO)
Dreyfus, Mark	Austin Energy	Municipal ( <i>Agenda Tab 6.2 only</i> )
Pfirmsmann, Karl	Unaffiliated	Unaffiliated Director ( <i>through Agenda Tab 6.2</i> )
Ryall, Jean	CCNG Power LLC	Independent Power Marketer ( <i>Agenda Tab 6.2 only</i> )



Other Guests:

Atherton, Allison	ERCOT Business Process Risk and Control Manager
Beckham, Rebecca	ERCOT Manager of Accounting
Day, Betty	ERCOT Vice-President of Business Integration
Dreyer, Jerry	ERCOT Vice-President and Chief Information Officer
Edmunds, Lauren	BrightLine CPAs & Associates, Inc.
Gunn, Philip	Ernst & Young
Helton, Robert	GDF Suez Energy Marketing NA, Inc.
Leady, Vickie	ERCOT Assistant General Counsel and Assistant Corporate Secretary
Magness, Bill	ERCOT Vice-President, General Counsel and Corporate Secretary
Nikazm, Tamila	Austin Energy, Credit Work Group Chair
Petterson, Michael	ERCOT Vice-President of Finance and Treasury
Rhoades, Jason	BrightLine CPAs & Associates, Inc.
Ruane, Mark	ERCOT Vice-President of Credit and Enterprise Risk Management
Seely, Chad	ERCOT Assistant General Counsel
Sisson, Taylor	Ernst & Young
Wiley, Leslie	ERCOT Manager of Treasury
Wullenjohn, Bill	ERCOT Director of Internal Audit

**Call General Session to Order, Announce Proxies and Segment Alternates (Agenda Tab 1)**

Clifton Karnei, F&A Committee Chairman, determined that a quorum was present and called the F&A Committee meeting to order at approximately 1:00 p.m. Chairman Karnei announced that Mark Carpenter was attending as the Investor-Owned Utility Segment Alternate in Scott Prochazka’s absence and Eric Hendrick had provided his proxy to Nick Fehrenbach. Chairman Karnei addressed the following Agenda Items in the order below.

**July 16, 2012 General Session Meeting Minutes (Agenda Tab 2)**

Chairman Karnei entertained a motion to approve the July 16, 2012 General Session Meeting Minutes (Minutes).

**Jorge Bermudez, F&A Committee Vice-Chairman, moved to approve the Minutes as presented. Judy Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Periodic Meeting with ERCOT’s Independent Financial Auditor (Agenda Tab 3)**

Rebecca Beckham, ERCOT Manager of Accounting, introduced Philip Gunn and Taylor Sisson of Ernst & Young LLP (E&Y).

**Independent Auditor 2012 Financial Statement Audit Plan – Audit Risk Areas and Audit Approach Planned for the 2012 Financial Statement Audit; Educational Information regarding Risk Management Topics; and Independence Report from the Independent Auditor (Agenda Tabs 3.1, 3.1.1, 3.1.2 and 3.1.3)**



Mr. Sisson reviewed E&Y's 2012 Financial Statement Audit Plan. Mr. Gunn reaffirmed E&Y's auditor independence and reviewed informational accounting and auditing updates. Mr. Gunn and Mr. Sisson responded to questions and comments from the Committee members.

**Results of Examination and Independence Report from the Service Organization Control Auditor (Agenda Tab 4)**

Allison Atherton, ERCOT Business Process Risk and Control Manager, introduced Lauren Edmunds and Jason Rhoades of BrightLine CPAs & Associates, Inc. (BrightLine), ERCOT's Service Organization Control auditor. Ms. Edmunds reviewed the Results of Examination and Independence Report from the Service Organization Control Auditor. Ms. Edmunds, Trip Doggett and Bill Wullenjohn responded to questions and comments from Committee members.

**Recommendation regarding Acceptance of 2012 Service Organization Control Report (Agenda Tab 5)**

Ms. Atherton provided an overview of the 2012 Service Organization Control Report, which would be issued by BrightLine with an unqualified opinion and which was recommended by ERCOT management for acceptance.

**Mr. Fehrenbach moved to recommend Board acceptance of the 2012 Service Organization Control Report. Vice-Chair Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**User Fees (Agenda Tab 6)**

Chairman Karnei entertained discussion on User Fees.

**Recommendation regarding Risk Management Verification Fee (Agenda Tab 6.1)**

Mark Ruane, ERCOT Vice-President of Credit and Enterprise Risk Management, reviewed the Risk Management Verification Fee and responded to questions and comments from Committee members.

**Michehl Gent moved to recommend approval of the Risk Management Verification Fee as presented. Vice-Chair Bermudez seconded the motion.** In response to Mr. Fehrenbach's request, Mr. Ruane clarified that ERCOT staff was recommending approval of \$730 per eligible Counter-Party for the Risk Management Verification Fee. **Chairman Karnei requested that Mr. Gent and Vice-Chairman Bermudez acknowledge their understanding that the recommended amount of Risk Management Verification Fee was \$730, which they both did. The motion passed by unanimous voice vote with no abstentions.**

**Digital Certificate Fee (Agenda Tab 6.2)**

Chad Seely, ERCOT Assistant General Counsel, reviewed the Digital Certificate Fee. Chairman Karnei recognized Robert Helton of GDF Suez Energy Marketing NA, Inc., who requested an opportunity to speak to the Committee due to Barbara Clemenhagen's travel delay and who provided comments to the Committee on this proposed user fee. Mr. Seely responded to questions and comments from Committee members.



**Periodic Report on Credit Work Group Activity (Agenda Tab 7)**

Tamila Nikazm of Austin Energy, Chair of the Credit Work Group, presented the Report on Credit Work Group Activity and responded to questions and comments from Committee members.

**Review Auction Clearing Price Exposure (ACPE) Parameters (Agenda Tab 8)**

Mr. Ruane reviewed the Auction Clearing Price Exposure (ACPE) Parameters.

**Committee Self-Assessment Surveys (Agenda Tab 9)**

Chairman Karnei entertained discussion on the Committee Self-Assessment Surveys.

**2011 Survey Responses (Agenda Tab 9.1)**

Chairman Karnei reviewed the 2011 Survey Responses with Committee members.

**2012 Proposed Survey Form (Agenda Tab 9.2)**

Chairman Karnei discussed the 2012 Proposed Survey Form with Committee members and announced that the survey results would be discussed at the December 10, 2012 Committee meeting.

**Review List of Financial Institutions That Are Also Market Participants (Agenda Tab 10)**

Leslie Wiley, ERCOT Manager of Treasury, presented the List of Financial Institutions That Are Also Market Participants and responded to questions and comments from Committee members.

**Committee Briefs (Agenda Tab 11)**

Michael Petterson, ERCOT Vice-President of Finance and Treasury, reviewed the Committee Briefs and responded to questions and comments from Committee members.

**Future Agenda Items (Agenda Tab 12)**

Chairman Karnei reminded the Committee members that the Committee would be meeting six times, every other month beginning in January, during the 2013 year.

**Other Business (Agenda Tab 13)**

No other business was discussed at this time.

**Executive Session**

Chairman Karnei adjourned the meeting into Executive Session at approximately 3:08 p.m. and reconvened to General Session at approximately 5:27 p.m.

**Vote on Matters from Executive Session – Recommendation regarding Selection of ERCOT Independent Financial Auditor and Recommendation regarding Selection of ERCOT Service Organization Control Auditor (Agenda Tabs 14, 15 and 16)**

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

**Mr. Gent moved to recommend Board selection of the ERCOT Independent Financial Auditor as presented and to recommend Board selection of the ERCOT Service**



**Organization Control Auditor as presented. Vice-Chairman Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Adjournment (Agenda Tab 17)**

Chairman Karnei adjourned the meeting at approximately 5:30 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/).

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Vickie G. Leady  
Assistant Corporate Secretary