



**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  
March 18, 2013

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>
Bowling, Shannon	Cirro Group	Independent Retail Electric Provider
Fehrenbach, Nick	City of Dallas	Consumer – Commercial
Gent, Michehl	Unaffiliated	Unaffiliated Director <i>(Proxy for Chairman Jorge Bermudez)</i>
Gresham, Kevin	E.On Climate & Renewables NA LLC	Independent Generator
Karnei, Clifton (Vice Chairman)	Brazos Electric Power Cooperative Inc.	Cooperative
Prochazka, Scott	CenterPoint Energy, Inc.	Investor Owned Utility
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>
Carpenter, Mark	Oncor Electric Delivery Company	Investor Owned Utility Segment Alternate <i>(Not Present for Agenda Items 1 - 8)</i>
Crowell, Craven	Unaffiliated	Unaffiliated Director
Dalton, Andrew	Valero Services Inc.	Consumer -- Industrial
Doggett, Trip	ERCOT	President and Chief Executive Officer (CEO)



Dreyfus, Mark	Austin Energy	Municipal
Pfirmsmann, Karl	Unaffiliated	Unaffiliated Director

Other Guests:

Atherton, Allison	ERCOT Business Process Risk and Control Manager
Castillo, Simon	CPS Energy
Day, Betty	ERCOT Vice President of Business Integration
Dreyer, Jerry	ERCOT Vice President and Chief Information Officer
Leady, 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
Markham, Lori	ERCOT Corporate Governance Specialist
Mathews, Michael	Bryan Texas Utilities
Nikazm, Tamila	Credit Work Group Chair
Ogelman, Kenan	Technical Advisory Committee (TAC) Chairman
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Saathoff, Kent	ERCOT Vice President of Grid Operation and System Planning
Schue, Jamie	ERCOT Associate Corporate Counsel
Westbrook, Susan	ERCOT Director of Human Resources
Wiley, Leslie	ERCOT Manager of Treasury
Wullenjohn, Bill	ERCOT Director of Internal Audit

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

Clifton Karnei, F&A Committee Vice Chairman, determined that a quorum was present and called the F&A Committee meeting to order at approximately 1:00 p.m. Vice Chairman Karnei announced that Unaffiliated Director Michehl Gent held the proxy for Unaffiliated Director and F&A Chairman Jorge Bermudez. He addressed the following Agenda Items in the order below.

**January 14, 2013 Draft General Session Meeting Minutes (Agenda Item 2)**

Vice Chairman Karnei entertained a motion to approve the January 14, 2013 General Session Meeting Minutes (Minutes).

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

Craven Crowell, Board Chairman, expressed his gratitude to Vice Chairman Karnei for accommodating the F&A Committee meeting time so that all Board members could attend the 2014 Budget discussion. He requested that Vice Chairman Karnei recognize all Board members who may have questions related to the 2014 Budget even if they are not F&A Committee members.



### **Update on Recommendation regarding Committee Charter (Agenda Item 3)**

Vice Chairman Karnei provided an update on the status of the F&A Committee Charter.

**Judy Walsh moved to approve the F&A Committee Charter as presented. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Recommendation Regarding Financial Corporate Standard (Agenda Item 4)**

Leslie Wiley presented the recommended options to the Financial Corporate Standard. Ms. Wiley explained Options A, B and C as to potential revisions to the Financial Corporate Standard. She and Mike Petterson responded to questions and comments from Committee and Board members.

As Jorge Bermudez' proxy, Michehl Gent expressed Mr. Bermudez's preference for Option A. Mr. Fehrenbach provided comments with regard to his preference for Option B.

**Michehl Gent moved to approve Option A of the Financial Corporate Standard as presented. Judy Walsh seconded the motion. The motion passed by voice vote with one opposed (Mr. Fehrenbach) and no abstentions.**

### **Review Policies and Assumptions relating to the 2014 Budget (Agenda Item 5)**

Mr. Petterson presented the policies and assumptions relating to the 2014 Budget and responded to questions and comments from Committee and Board members. Mr. Petterson received feedback for providing a draft of the 2014 Budget at the May 2013 Committee meeting.

#### **User Fees Policy (Agenda Item 5.1)**

Mr. Petterson presented the User Fees Policy and responded to questions and comments from Committee members. He solicited feedback from Committee members on whether it is aligned with the Committee's preference on special fees.

#### **Financing and Debt Use Policy (Agenda Item 5.2)**

Mr. Petterson presented the Financing and Debt Use Policy. There were no questions or comments from Committee members.

#### **Fee Variability (Agenda Item 5.3)**

Mr. Petterson discussed the Fee Variability and responded to questions and comments from Committee members.

Vice Chairman Karnei recessed the meeting for a break at approximately 2:03 p.m. and reconvened the meeting at approximately 2:16 p.m.

### **Approval of Credit Work Group Charter (Agenda Item 6)**

Mark Ruane presented the Credit Work Group Charter. There were no questions or comments from Committee members. Vice Chairman Karnei entertained a motion to approve the Credit Work Group Charter.



**Mr. Gent moved to approve the Credit Work Group Charter as presented. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Confirmation of Credit Work Group Chair and Vice Chair (Agenda Item 7)**

Mr. Ruane presented the Credit Work Group (CWG) Chair and Vice Chair for confirmation and responded to questions and comments from Committee members. Simon Castillo of CPS Energy and Michael Mathews of Bryan Texas Utilities as CWG Chair and CWG Vice Chair, respectively, were introduced.

**Ms. Walsh moved to approve the CWG Chair and Vice Chair as presented. Ms. Bowling seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Recommendation Regarding ERCOT Creditworthiness Standards (Agenda Item 8)**

Mr. Ruane presented the ERCOT Creditworthiness Standards recommendation.

**Mr. Gent moved to approve the ERCOT Creditworthiness Standards as presented. Mr. Prochazka seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Periodic Report on Credit Work Group Activity (Agenda Item 9)**

Tamila Nikazm presented the Report on Credit Work Group Activity. Ms. Nikazm and Mr. Ruane responded to questions and comments. Kenan Ogelman provided comments on behalf of the Technical Advisory Committee.

**Preapproval of Non-Audit Services (Agenda Item 10)**

Mr. Petterson presented the Non-Audit Services plan for preapproval and responded to questions and comments from Committee members.

**Mr. Gent moved to approve the Non-Audit Services plan as presented. Ms. Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Committee Education Plan for 2013 (Agenda Item 11)**

Mr. Petterson presented the Committee Education Plan for 2013 and responded to questions and comments from Committee members. Vice Chairman Karnei instructed Mr. Petterson to proceed with schedule as presented.

**Committee Briefs; Review Unaudited 2012 Financial Statements; 2013 Financial Summary (Agenda Items 12, 12.1 and 12.2)**

Mr. Petterson presented the Committee Briefs and responded to questions and comments from Committee members.

**Periodic Report on Investments (Agenda Item 12.3)**

Leslie Wiley presented the Periodic Report on Investments and responded to questions and comments from Committee members.



#### **Financial Institutions Which Are Market Participants (Agenda Item 12.4)**

Ms. Wiley reported on the Financial Institutions which are Market Participants. She responded to questions and comments from Committee members.

#### **Internal Control Management Program Report (Agenda Item 12.5)**

Allison Atherton provided an update on the Internal Control Management Program. Mr. Doggett commented that the increase in requests for consulting audits is a sign that ERCOT management team sees significant value in Internal Audit and complimented the Internal Audit team.

#### **Future Agenda Items (Agenda Item 13)**

Mr. Petterson reviewed the 2013 Annual Meeting Planner with Committee members and highlighted future items. Educational topics on Risk Management will be presented in May as well as a report form CWG with regard to the concentration issue on the letter of credit.

#### **Other Business (Agenda Item 14)**

Vice Chairman Karnei reported that the consensus of the Committee indicated that future Committee meetings begin at 1:00 p.m. Mr. Petterson provided an update on the policy of hiring former employees of ERCOT's independent auditor. In response to a request to confirm if the policy was consistent with best practices, Mr. Petterson responded affirmatively. At this time, he introduced Sean Taylor, ERCOT Controller.

#### **Executive Session**

Vice Chairman Karnei adjourned the meeting into Executive Session at approximately 3:14 p.m. and reconvened the General Session at approximately 5:00 p.m.

#### **Vote on Matters from Executive Session (Agenda Item 15)**

Vice Chairman Karnei stated there were no voting items from Executive Session to be considered at this time.

#### **Adjourn (Agenda Item 16)**

Vice Chairman Karnei adjourned the meeting at approximately 5:02 p.m.

Committee materials and presentations from the meeting are available on ERCOT's website at <http://www.ercot.com/calendar/2013/03/20130318-FA>

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Jamie Schue  
Associate Corporate Counsel