



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

7620 Metro Center Drive, Room 206
Austin, Texas 78744
January 14, 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:

Director	Affiliation	Segment
Bermudez, Jorge (Chairman)	Unaffiliated	Unaffiliated Director
Bowling, Shannon	Cirro Group	Independent Retail Electric Provider Segment Alternate <i>(Not present for Agenda Item 15.5)</i>
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Gent, Michehl	Unaffiliated	Unaffiliated Director
Gresham, Kevin	E.On Climate & Renewables NA LLC	Independent Generator <i>(Not present for Agenda Items - 8, 15.1 – 15.5)</i>
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:

Director/ Segment Alternate	Affiliation	Segment
Doggett, Trip	ERCOT	President and Chief Executive Officer (CEO) <i>(Not present for Agenda Items 4–8, 11, part of 12, part of 15.1 – 15.5)</i>
Nelson, Donna	Public Utility Commission of Texas (PUCT)	Chairman <i>(Not present for Agenda Item 1)</i>



Other Guests:

Atherton, Allison	ERCOT Business Process Controls & Risk Manager
Day, Betty	ERCOT Vice President of Business Integration
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary <i>(Except for Agenda Item 9)</i>
Markham, Lori	ERCOT Corporate Governance Specialist
Morehead, Juliana	ERCOT Corporate Counsel
Nakizm, Tamila	ERCOT Credit Work Group
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Wiley, Leslie	ERCOT Manager, Treasury
Wullenjohn, Bill	ERCOT Director of Internal Audit

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

Trip Doggett called the F&A Committee meeting to order at approximately 1:31 pm. He announced that Shannon Bowling was attending as the Independent Retail Electric Provider Segment Alternate due to Eric Hendrick's recent departure. He addressed the following Agenda Items in the order below.

Confirm Committee Membership (Agenda Item 2)

Mr. Doggett announced the 2013 F&A Committee members, Jorge Bermudez, Nick Fehrenbach, Michehl Gent, Kevin Gresham, Clifton Karnei, Scott Prochazka, Judy Walsh and Shannon Bowling and Segment Alternates, Mark Carpenter, Barbara Clemenhagen and Mike Packard. He acknowledged the Charter's requirement of at least five Board members, at least three of which are from market segments and two or more which are unaffiliated Board members was met. He asked members to acknowledge by initialing the financial background requirement matrix that was provided.

Election of Committee Chair (Agenda Item 3)

Mr. Doggett entertained a motion for the election of the Committee Chair.

Clifton Karnei moved to recommend approval of Jorge Bermudez as the F&A Committee Chair. Scott Prochazka seconded the motion. The motion passed by unanimous voice vote with one abstention (Jorge Bermudez).

Chairman Bermudez thanked the Committee for electing him as Chairman and thanked Mr. Karnei for his years of service as Chairman of the Committee.

Election of Committee Vice Chair (Agenda Item 4)

Jorge Bermudez moved to recommend approval of Clifton Karnei as the F&A Committee Vice Chair. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with one abstention (Clifton Karnei).

Designation of Committee Secretary (Agenda Item 5)

Chairman Bermudez stated that the designation of the Committee Secretary is the Corporate General Counsel and as such, no vote is required for this Agenda Item.



December 10, 2012 Draft General Session Meeting Minutes (Agenda Item 6)

Chairman Bermudez entertained a motion to approve the December 10, 2012 Draft General Session Meeting Minutes (Minutes).

Mr. Gent moved to approve the Minutes as presented. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with one abstention (Jorge Bermudez).

Recommendation Regarding Committee Charter (Agenda Item 7)

Chairman Bermudez entertained discussion regarding the Committee Charter. Mr. Fehrenbach provided comments with regard to the company's internal controls.

Mr. Fehrenbach moved to amend the proposed Committee Charter, page 3 of Attachment A and replacing the language which is bullet point 1 now with, "The Committee shall review management's annual report on the adequacy and effectiveness of the Company's internal controls in a timely manner." Judy Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Recommendation Regarding Market Credit Risk Corporate Standard (Agenda Item 8)

Mark Ruane presented the Market Credit Risk Corporate Standard. There were no questions or comments from Committee members.

Mr. Karnei moved to approve the Market Credit Risk Corporate Standard 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 provided an update on the Credit Work Group activity. Michael Petterson provided comments.

Recommendation Regarding Financial Corporate Standard (Agenda Item 10)

Leslie Wiley presented the Financial Corporate Standard and responded to questions and comments from Committee members.

Mr. Fehrenbach proposed the following edits. Currently, it reads, "but in no event will ERCOT propose to revenue fund less than 40 percent of project budgets during the project development phase." Mr. Fehrenbach moved to change the language to read, "in no event will ERCOT propose to revenue fund less than 50 percent of project budgets during the project development phase for projects begun between January 1st, 2014 and December 31st, 2014, nor refund fund less than 60 percent of project budgets during the project development phase for projects begun on or after January 1st, 2015." There was no second. The motion dies for lack of a second.

Mr. Fehrenbach moved to table the vote on the Financial Corporate Standard for further discussion and place it on the March agenda. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Recommendation Regarding Investment Corporate Standard (Agenda Item 11)

Ms. Wiley presented the Investment Corporate Standard. There were no questions or comments from Committee members.

Mr. Fehrenbach moved to approve the Investment Corporate Standard as presented. Ms. Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Chairman Bermudez acknowledged the Committee's desire to continue with the meeting and not take the scheduled break.

Results of 2012 Committee Self-Evaluation Survey (Agenda Item 12)

Chairman Bermudez entertained discussion regarding the results of the 2012 Committee Self-Evaluation Survey with Committee members.

Nodal Surcharge Termination (Agenda Item 13)

Mr. Petterson discussed the Nodal Surcharge Termination. Mr. Petterson and Mr. Doggett responded to comments from Committee members.

Sunset Commission Recommendation Regarding ERCOT Fee Variability (Agenda Item 14)

Mr. Petterson discussed the Sunset Commission Recommendation Regarding ERCOT Fee Variability and responded to questions and comments from Committee members.

Committee Briefs (Agenda Item 15)

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

Committee Education on Accounting Developments (Agenda Item 15.1)

Mr. Petterson discussed the Committee Education on Accounting Developments. There were no questions or comments from Committee members.

Periodic Report on Investments (Agenda Item 15.2)

Mr. Petterson presented the Periodic Report on Investments. There were no questions or comments from Committee members.

Handling of Complaints Regarding Financial Matters (Agenda Item 15.3)

Mr. Petterson discussed the Handling of Complaints Regarding Financial Matters. There were no questions or comments from Committee members.

Policy on Hiring Former Employees of the Independent Auditor (Agenda Item 15.4)

Mr. Petterson discussed the Policy on Hiring Former Employees of the Independent Auditor and responded to questions and comments from Committee members.



Policy on Independent Auditor Selection (Agenda Item 15.5)

Mr. Petterson discussed the Policy on Independent Auditor Selection and responded to questions and comments from Committee members. The Committee's desire is to go forward with what was presented with the correction of the seven-year term. It's actually two three-year cycles which is six years.

Internal Control Management Program (ICMP) Report (Agenda Item 15.6)

Allison Atherton presented the ICMP Report. There were no questions or comments from Committee members.

Future Agenda Items (Agenda Item 16)

Mr. Petterson presented the Annual Meeting Planner. Some of the key topics will be the User Fee Policy discussion that will be addressed in March, review and approval of the 2014 Budget, the Credit Work Group (CWG) Charter and CWG Chair and Vice Chair recommendations, IT Strategic Issues report and CWG reports at each F&A meeting. In March we'll have the CEO's report on the adequacy of internal controls and financial summary review.

Other Business (Agenda Item 17)

No other business was discussed at this time.

Executive Session

Chairman Bermudez adjourned the meeting into Executive Session at approximately 3:20 p.m. He reconvened the meeting at approximately 3:30 p.m.

Vote on Matters from Executive Session (Agenda Item 18)

Chairman Bermudez called for a motion to approve matters from Executive Session.

Mr. Karnei moved to approve the Internal Audit Matter as discussed during Executive Session. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjourn (Agenda Item 19)

Chairman Bermudez adjourned the meeting at approximately 5:01 p.m.

Committee materials and presentations from the meeting are available on ERCOT's website at http://www.ercot.com/committees/board/finance_audit/.

A handwritten signature in blue ink that reads "Lori Markham".

Lori Markham
Corporate Governance Specialist