



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

7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
July 18, 2011 at 11:30 a.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>
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility
Dreyfus, Mark	Austin Energy	Municipal
Espinosa, Miguel	Unaffiliated	Unaffiliated Director (Proxy for Jorge Bermudez and Nick Fehrenbach)
Hendrick, Eric	Stream Energy	Independent Retail Electric Provider Segment Alternate
Karnei, Clifton (Chairman)	Brazos Electric Power Cooperative, Inc.	Cooperative

**Guest Board Members and Segment Alternates:**

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Brown, Jeff	Shell Energy North America (US) LP	Independent Power Marketer Segment Alternate
Doggett, Trip	ERCOT	President and Chief Executive Officer (CEO)
Doll, Laura	Unaffiliated	Unaffiliated Director
Gent, Michehl	Unaffiliated	Unaffiliated Director
Givens, Sheri	Office of Public Utility Counsel	Residential Consumer
Helton, Bob	International Power America Services, Inc.	Independent Generator

**Other Guests:**

Anderson, Troy	ERCOT Manager of Enterprise Project Portfolio
Cleary, Mike	ERCOT Senior Vice President and Chief Operating Officer
Cobos, Lori	ERCOT Associate Corporate Counsel



Day, Betty	ERCOT Vice President of Business Integration
Hancock, Misti	ERCOT Director of Finance
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
Morgan, Richard	ERCOT Vice President and Chief Information Officer
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Robinson, Shad	Haley & Olson, P.C.
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Seely, Chad	ERCOT Assistant General Counsel

Clifton Karnei, F&A Committee Chairman, determined that a quorum was present and called the F&A Committee meeting to order at approximately 11:30 a.m. Chairman Karnei announced that Miguel Espinosa held a proxy for Jorge Bermudez and Nick Fehrenbach. Chairman Karnei addressed the following Agenda Items in the order below.

**Approval of June 20, 2011 Meeting Minutes (Agenda Item 1)**

Chairman Karnei entertained a motion to approve the June 20, 2011 F&A Committee Meeting Minutes (Minutes).

**Miguel Espinosa moved to approve the Minutes as presented. Calvin Crowder seconded the motion. Clifton Karnei and Mark Dreyfus abstained. The motion passed by voice vote.**

**Review Proposed 2012 Budget (Agenda Item 2)**

Misti Hancock provided an overview of the proposed 2012 Budget to the Committee members. Ms. Hancock, Trip Doggett, Mike Petterson, Mike Cleary, Chuck Manning, Troy Anderson, Betty Day, and Bill Magness responded to comments and questions from the Committee members.

**Update on Commodities Exchange Act Exemption (Agenda Item 3)**

Mark Ruane provided a status update on exemption issues related to the Commodity Futures Trading Commission's (CFTC) Commodities Exchange Act (CEA) to the Committee members. Mr. Ruane and Mr. Magness responded to comments and questions from the Committee members.

**Recommend Changes to Standard Forms of Letter of Credit and Market Participant (MP) Guarantee Agreements (Agenda Item 4)**

Chad Seely provided an overview of the proposed changes to the standard forms of Letter of Credit and MP Guarantee Agreements and introduced Shad Robinson, ERCOT outside counsel with Haley & Olson, P.C., who worked with Mr. Seely on the proposed changes to the forms. Mr. Seely offered redline revisions to Section 11(b) of the MP Guarantee Agreements based on discussions about the scope of required financial information with Bob Helton in a prior F&A Committee meeting. The proposed redline revisions offer greater flexibility for ERCOT and MPs in seeking additional financial information, if applicable. Mr. Seely then responded to comments and questions from the Committee members.



Mark Dreyfus moved to recommend Board approval of the proposed changes to the standard forms of Letter of Credit as presented and MP Guarantee Agreements as revised by the F&A Committee. Mr. Crowder seconded the motion. The motion passed by unanimous voice vote.

**Credit Update (Agenda Item 5)**

Mark Ruane provided a Credit Update, including proposed changes to the procedures for setting Nodal Day Ahead Market (DAM) Credit Requirement Parameters recommended by the Technical Advisory Committee (TAC), and responded to comments and questions from the Committee members.

Eric Hendrick moved to recommend Board approval of the proposed changes to the procedures for setting the Nodal DAM Credit Requirement Parameters as recommended by TAC. Mr. Crowder seconded the motion. The motion passed by unanimous voice vote.

**Review Committee Briefs (Agenda Item 6)**

Mike Petterson provided a status overview of ERCOT's compliance with the Investment Corporate Standard, including steps being taken to comply with the standard, to the Committee members and responded to comments and questions from the Committee members.

**Future Agenda Items (Agenda Item 7)**

Mr. Petterson noted that the following items would be presented for consideration at next month's F&A Committee meeting:

- Approval of proposed 2012 Budget
- Review and acceptance of the 2010 401(k) Audit Report
- Detailed information regarding compliance with the Investment Corporate Standard

**Other Business (Agenda Item 8)**

There was no other business considered at this time.

**Convene to Executive Session (Agenda Items 9 to 11)**

Chairman Karnei adjourned the F&A Committee meeting into Executive Session at approximately 12:57 p.m.



**Reconvene to Open Session**

Chairman Karnei reconvened the Open Session of the F&A Committee meeting at approximately 2:06 p.m. There were no voting items from Executive Session. Chairman Karnei adjourned the F&A Committee meeting at approximately 2:06 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