



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

7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
August 15, 2011 at 10:00 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>
Bermudez, Jorge (Vice Chairman)	Unaffiliated	Unaffiliated Director (Proxy for Miguel Espinosa)
Dreyfus, Mark	Austin Energy	Municipal (Beginning with Agenda Item 2)
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
Prochazka, Scott	CenterPoint Houston Electric LLC	Investor Owned Utility (IOU) Segment Alternate

**Guest Board Members and Segment Alternates:**

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
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
Gresham, Kevin	E.ON Climate & Renewables NA LLC	Independent Generator Segment Alternate
Nelson, Donna	Public Utility Commission of Texas (PUCT)	Chairman

**Other Guests:**

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
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
Morgan, Richard	ERCOT Vice President and Chief Information Officer
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Wiley, Leslie	ERCOT Treasury Manager
Wullenjohn, Bill	ERCOT Director of Internal Audit
Yager, Cheryl	ERCOT Director, Credit

Clifton Karnei, F&A Committee Chairman, determined that a quorum was present and called the F&A Committee meeting to order at approximately 10:00 a.m. Chairman Karnei announced that Jorge Bermudez held a proxy for Miguel Espinosa and welcomed new Committee member Eric Hendrick. Chairman Karnei addressed the following Agenda Items in the order below.

**Approval of July 18, 2011 Meeting Minutes (Agenda Item 1)**

Chairman Karnei entertained a motion to approve the July 18, 2011 F&A Committee Meeting Minutes (Minutes).

**Eric Hendrick moved to approve the Minutes as presented. Nick Fehrenbach seconded the motion. Nick Fehrenbach and Scott Prochazka abstained. The motion failed for lack of sufficient votes.**

The Committee reconsidered the Minutes later in the meeting.

**Recommend 2012 Base Operating Budget and Project Priority List (PPL) (Agenda Item 2)**

Misti Hancock provided an overview of the 2012 Base Operating Budget and PPL to the Committee members. Ms. Hancock, Trip Doggett, Mike Petterson, and Bill Magness responded to comments and questions from the Committee members.

**Mr. Bermudez moved to recommend Board approval of the 2012 Base Operating Budget and PPL as presented. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Approval of August 15, 2011 Meeting Minutes (Agenda Item 1) - Continued**

Chairman Karnei entertained another motion to approve the Minutes since the first motion failed for lack of sufficient votes.

**Mr. Hendrick moved to approve the Minutes as presented. Mr. Bermudez seconded the motion. Mr. Fehrenbach and Mr. Prochazka abstained. The motion passed by voice vote.**



**Review Results of and Vote on Acceptance of the 2010 401(k) Audit Report (Agenda Item 3)**

Mr. Fehrenbach moved to recommend Board acceptance of the 2010 401(k) Savings Plan Audit Report as presented. Mr. Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.

**ERCOT Response to National Debt Ceiling Issues (Agenda Item 4)**

Mike Petterson provided an overview of ERCOT's response to national debt ceiling issues and responded to comments and questions from the Committee members.

**Review and Recommend Updated Investment Corporate Standard (Agenda Item 5)**

Leslie Wiley provided an overview of proposed changes to the Investment Corporate Standard. Ms. Wiley and Mr. Petterson responded to comments and questions from the Committee members.

**Update on Commodities Exchange Act (CEA) Exemption (Agenda Item 6)**

Mark Ruane provided an update on CEA exemption issues and responded to comments and questions from the Committee members.

**Review Committee Briefs (Agenda Item 7)**

Cheryl Yager noted that the Board would be considering three Nodal Protocol Revision Requests (NPRRs) that have credit implications at the August 2011 Board meeting. Mr. Petterson noted the quarterly compliance statement regarding the Investment Corporate Standard and stated that areas of noncompliance have been previously discussed with the Committee members.

**Future Agenda Items (Agenda Item 8)**

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

- Revisions to the Investment Corporate Standard;
- Credit Work Group (CWG) Report;
- Standard Internal Audit Agenda Items;
- Quarterly Update on Accounting Developments, Judgments, and Risks;
- Quarterly Review of Market Participants that are also financial institutions doing business with ERCOT; and
- Update on CEA exemption issues.

**Other Business (Agenda Item 9)**

There was no other business considered at this time.

**Convene to Executive Session (Agenda Items 10 to 12)**

Chairman Karnei adjourned the F&A Committee meeting into Executive Session at approximately 11:09 p.m.

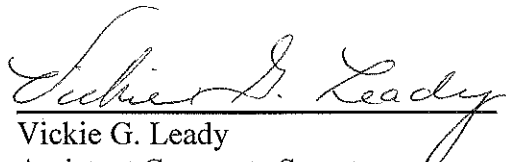
**Reconvene to Open Session**

Chairman Karnei reconvened the Open Session of the F&A Committee meeting at approximately



11:42 a.m. There were no voting items from Executive Session. Chairman Karnei adjourned the F&A Committee meeting at approximately 11:43 a.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