



**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  
February 10, 2014

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 ( <i>Not Present for Agenda Item 4</i> )
Gent, Michehl	Unaffiliated	Unaffiliated Director – ( <i>Proxy for Jorge Bermudez; Not Present for Agenda Items 1 – 2.4</i> )
Gresham, Kevin	E.ON North America LLC	Independent Generator – ( <i>Not Present for Agenda Items 1 – 2.4</i> )
Karnei, Clifton (Vice Chairman)	Brazos Electric Power Cooperative Inc.	Cooperative
Walsh, Judy	Unaffiliated	Unaffiliated Director

Guests, Board Members and Segment Alternates:

<b>Director/ Segment Alternate</b>	<b>Affiliation</b>	<b>Segment</b>
Carpenter, Mark	Oncor Electric Delivery Company	Investor Owned Utility ( <i>Not Present for Agenda Items 4 – 14</i> )
Crowell, Craven	Unaffiliated	Unaffiliated Director ( <i>Not Present for Agenda Items 4 – 14</i> )
Doggett, H.B. “Trip”	ERCOT	President and Chief Executive Officer (CEO)
Dreyfus, Mark	Austin Energy	Municipal ( <i>Not Present for Agenda Items 4 – 14</i> )
Pffirmann, Karl	Unaffiliated	Unaffiliated Director ( <i>Not Present for Agenda Items 4 – 14</i> )

Other Guests:

Anderson, Troy	ERCOT Manager of Portfolio Management and Business Analysis ( <i>Not Present for Agenda Items 4 - 14</i> )
----------------	--



Boren, Ann	ERCOT Manager of Market Rules and Stakeholder Support <i>(Not Present for Agenda Items 4 – 14)</i>
Day, Betty	ERCOT Vice President of Business Planning & Integration <i>(Not Present for Agenda Items 4 – 7)</i>
Dreyer, Jerry	ERCOT Vice President and Chief Information Officer <i>(Not Present for Agenda Items 4 – 7)</i>
Hobbs, Kristi	ERCOT Director of Enterprise Risk Management & Strategic Analysis <i>(Not Present for Agenda Items 4 – 14)</i>
Leady, Vickie	ERCOT Assistant General Counsel and Assistant Corporate Secretary <i>(Not Present for Agenda Items 4 – 14)</i>
Levine, Jonathan	ERCOT Corporate Counsel
Lowe, William “Cagle”	Director of Program Management Office <i>(Not Present for Agenda Items 4 – 14)</i>
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary <i>(Not Present for Agenda Items 4 – 14)</i>
Markham, Lori	ERCOT Corporate Governance Specialist
Martinez, Adam	ERCOT Manager of Project Management <i>(Not Present for Agenda Items 4 – 14)</i>
Mathews, Michael	Credit Work Group Chair
Meek, Donald	Credit Work Group Vice Chair
Pettersen, Michael	ERCOT Vice President of Finance and Treasury
Robinson, Jeff	ERCOT Manager of Release Management & Testing <i>(Not Present for Agenda Items 4 – 14)</i>
Ruane, Mark	ERCOT Director of Market Credit <i>(Not Present for Agenda Items 1 – 5.2)</i>
Schue, Jamie	ERCOT Associate Corporate Counsel
Stephenson, Randa	Lone Star Transmission, Technical Advisory Committee (TAC) Chair <i>(Not Present for Agenda Items 4 – 14)</i>
Taylor, Sean	ERCOT Controller
Westbrook, Susan	ERCOT Director of Human Resources <i>(Present Only for Agenda Item 10)</i>
Wiley, Leslie	ERCOT Manager of Treasury
Wullenjohn, Bill	ERCOT Director Internal Audit

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

Judy Walsh, Board Vice Chair, determined that a quorum was present and called the F&A Committee meeting to order at approximately 12:01 p.m. Ms. Walsh announced that Unaffiliated Director Michehl Gent held a proxy for Unaffiliated Director Jorge Bermudez and addressed the following Agenda Items in the order below.

**Confirm Committee Membership and Leadership and Confirm Committee Membership (Agenda Items 2 and 2.1)**

Bill Magness reported that the Committee Membership list was provided with the meeting materials. There were no requested changes to the Committee membership.



**Election of Committee Chair (Agenda Item 2.2)**

Ms. Walsh entertained a nomination for Committee Chair.

**Clifton Karnei nominated Jorge Bermudez as Committee Chairman. Nick Fehrenbach seconded the nomination. Mr. Bermudez was elected as Committee Chairman by unanimous voice vote with no abstentions.**

**Election of Committee Vice Chair (Agenda Item 2.3)**

Ms. Walsh entertained a motion for the election of Committee Vice Chair.

**Ms. Walsh nominated Clifton Karnei as Committee Vice Chairman. Shannon Bowling seconded the nomination. Mr. Karnei was elected as Committee Vice Chairman by unanimous voice vote with no abstentions.**

**Designation of Committee Secretary (Agenda Item 2.4)**

Vice Chairman Karnei entertained a motion for Committee Secretary.

**Ms. Walsh moved to designate Bill Magness, ERCOT General Counsel, or his designee as Committee Secretary. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Committee Education on Project Priority List (Agenda Item 3)**

Betty Day led a presentation on the Committee Education on Project Priority List. She, Troy Anderson, Kristi Hobbs and Bill Wullenjohn responded to questions and comments from Committee members.

**Break**

Vice Chairman Karnei recessed for a break at approximately 12:54 p.m. and reconvened General Session at approximately 1:00 p.m.

**November 18, 2013 General Session Meeting Minutes (Agenda Item 4)**

Vice Chairman Karnei entertained a motion to approve the November 18, 2013 General Session Meeting Minutes (Minutes).

**Ms. Walsh moved to approve the Minutes as presented. Kevin Gresham seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Charter Review; Approval and Recommendation Regarding Committee Charter (Agenda Items 5 and 5.1)**

Michael Petterson provided a summary of the proposed changes to the Committee Charter and responded to questions and comments from Committee members.

**Ms. Walsh moved to recommend for Board approval the Committee Charter as presented. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



**Review and Approval of Internal Audit Department Charter; Review and Ratification of Credit Work Group Charter (Agenda Items 5.2 and 5.3)**

Mr. Petterson presented the recommendations regarding Internal Audit Charter and Credit Work Group Charter.

**Mr. Gent moved to approve the Internal Audit Department Charter and to ratify the Credit Work Group Charter, both as presented. Ms. Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Policy Review and Approval; Recommendation Regarding Market Credit Risk Corporate Standard (Agenda Items 6 and 6.1)**

Mark Ruane presented the Market Credit Risk Corporate Standard and responded to questions and comments from Committee members. Vice Chairman Karnei entertained a motion on the Market Credit Risk Corporate Standard.

**Mr. Fehrenbach moved to recommend for Board approval the Market Credit Risk Corporate Standard as presented. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Recommendation Regarding Financial Corporate Standard and Recommendation Regarding Investment Corporate Standard (Agenda Items 6.2 and 6.3)**

**Ms. Walsh moved to recommend for Board approval the Financial Corporate Standard and the Investment Corporate Standard as presented. Ms. Bowling seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Handling of Complaints Regarding Financial Matters; Policy on Hiring Former Employees of the Independent Auditor; and Policy on Independent Auditor Selection (Agenda Items 6.4, 6.5 and 6.6)**

Sean Taylor presented the Handling of Complaints Regarding Financial Matters, Policy on Hiring Former Employees of the Independent Auditor and Policy on Independent Auditor Selection and responded to questions and comments from Committee members.

**Preapproval of Non-Audit Services (Agenda Item 7)**

Mr. Taylor presented the preapproval of Non-Audit Services. Mr. Taylor and Mr. Petterson responded to questions and comments from Committee members. Vice Chairman Karnei entertained a motion for the preapproval of Non-Audit Services.

**Ms. Walsh moved to approve the Non-Audit Services 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 8)**

Mr. Ruane presented the Credit Work Group (CWG) Chair and Vice Chair for confirmation. Michael Mathews of Bryan Texas Utilities and Donald Meek of Austin Energy as CWG Chair and CWG Vice Chair, respectively, were introduced.



**Ms. Bowling moved to confirm Mr. Mathews and Mr. Meek as the CWG Chair and Vice Chair, respectively. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

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

Mr. Mathews presented the Periodic Report on Credit Work Group Activity. He and Mr. Ruane responded to questions and comments from Committee members.

**Committee Education Plan for 2014 (Agenda Item 11)**

Mr. Petterson presented the Committee Education Plan for 2014. Mr. Petterson and Mr. Doggett responded to questions and comments from Committee members. The Committee provided feedback and accepted the plan as presented.

**Update on Affordable Care Act (Agenda Item 10)**

Susan Westbrook provided an update on the Affordable Care Act and responded to questions and comments from Committee members.

**Committee Briefs (Agenda Item 12)**

Mr. Petterson invited Mr. Taylor to present the Committee Briefs.

**Review Unaudited 2013 Financial Statements and 2013 Financial Summary (Agenda Items 12.1 and 12.2)**

Mr. Taylor presented a review of the Unaudited 2013 Financial Statements and 2013 Financial Summary. He, Mr. Doggett and Mr. Petterson responded to questions and comments from Committee members.

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

Mr. Petterson noted the Periodic Report on Investments is a standing report. There were no questions or comments from Committee members.

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

Mr. Petterson reported that there were no changes in the list of ERCOT's financial institutions which are Market Participants. There were no questions or comments from Committee members.

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

Mr. Petterson informed the Committee that there will be standing reports on financial matters, risk, internal audits, and external audits. He reported that Ernst & Young LLP (EY) is scheduled to attend the April 2014 Committee meeting to present the audited financial statements and its findings.

**Other Business (Agenda Item 14)**

No other business was discussed at this time.



**Executive Session**

Vice Chairman Karnei recessed the meeting into Executive Session at approximately 2:24 p.m. and reconvened General Session at approximately 4:15 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 4:15 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/)

---

Jamie Schue  
Associate Corporate Counsel