



**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 8, 2016

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>
Comstock, Read	Direct Energy	Independent Retail Electric Provider <i>(Not Present for Agenda Items 11 – 15)</i>
Fehrenbach, Nick	City of Dallas	Consumer – Commercial
Gresham, Kevin	E.ON North America LLC	Independent Generator
Karnei, Clifton (Vice Chairman)	Brazos Electric Power Cooperative, Inc.	Cooperative
Walsh, Judy	Unaffiliated	Unaffiliated Director <i>(Proxy for Jorge Bermudez)</i>
Werner, John	Source Power & Gas LLC	Independent Retail Electric Provider Segment Alternate <i>(Not Present for Agenda Items 1 – 9) (Seated Only for Agenda Items 11 – 15)</i>

Guest Board Members and Segment Alternates:

<b>Director/ Segment Alternate</b>	<b>Affiliation</b>	<b>Segment</b>
Cochran, Seth	DC Energy Texas LLC	Independent Power Marketer Segment Alternate <i>(Not Present for Agenda Items 1 – 9)</i>
Cramton, Peter	Unaffiliated	Unaffiliated Director <i>(Not Present for Agenda Items 1 – 9)</i>
Durland, Jack	Valero Services, Inc.	Consumer – Industrial <i>(Not Present for Agenda Items 1 – 9)</i>
Emery, Keith	Tenaska Power Services Co.	Independent Power Marketer <i>(Not Present for Agenda Items 1 – 9)</i>
Magness, Bill	ERCOT	ERCOT President and Chief Executive Officer (CEO) <i>(Not Present for Agenda Items 1 – 9)</i>



Mercado, Kenneth	CenterPoint Energy Inc.	Investor-Owned Utility Segment Alternate <i>(Not Present for Agenda Items 1 – 9)</i>
Pfirmsmann, Karl	Unaffiliated	Unaffiliated Director <i>(Not Present for Agenda Items 1 – 11)</i>
Shellman, Carolyn	CPS Energy	Municipal <i>(Not Present for Agenda Items 1 – 9)</i>
Smith, Wade	American Electric Power Service Corporation	Investor-Owned Utility <i>(Not Present for Agenda Items 1 – 9)</i>
Soutter, Mark	Inverenergy Energy Management LLC	Independent Generator Segment Alternate
Williams, Phil	Denton Municipal Electric	Municipal Segment Alternate <i>(Not Present for Agenda Items 1 – 9)</i>

**Officers and Guests:**

Atherton, Allison	ERCOT Interim Director of Internal Audit
Day, Betty	ERCOT Vice President of Governance, Risk and Compliance & Chief Compliance Officer
Dreyer, Jerry	ERCOT Senior Vice President and Chief Information Officer
Hobbs, Kristi	ERCOT Director of Enterprise Risk Management and Strategic Analysis
Levine, Jonathan	ERCOT Corporate Counsel
Martin, Loretto	Direct Energy, 2016 Credit Work Group (CWG) Vice Chair
Meek, Donald	Austin Energy, 2016 CWG Chair
Mele, Cheryl	ERCOT Senior Vice President and Chief Operating Officer
Ögelman, Kenan	ERCOT Vice President of Commercial Operations
Petterson, Michael	ERCOT Vice President and Chief Financial Officer
Ruane, Mark	ERCOT Director of Settlements, Retail and Credit
Seely, Chad	ERCOT Vice President, General Counsel and Corporate Secretary
Taylor, Sean	ERCOT Controller
Wiley, Leslie	ERCOT Treasurer

**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 1:00 p.m. Ms. Walsh noted the Antitrust and Security Admonitions and announced that Unaffiliated Director Jorge Bermudez had provided his proxy to herself, an Unaffiliated Director.

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

Ms. Walsh reported that the Committee Membership list, including Segment Alternates, was provided with the meeting materials. She announced 2016 Committee members: Jorge Bermudez, Read Comstock, Nick Fehrenbach, Kevin Gresham, Clifton Karnei and Judy Walsh. 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.

**Nick Fehrenbach nominated Jorge Bermudez as Committee Chairman. Kevin Gresham seconded the motion. The motion passed by unanimous voice vote with one abstention (Ms. Walsh as proxy for Jorge Bermudez).**

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

Ms. Walsh entertained a nomination for Committee Vice Chair.

**Mr. Fehrenbach nominated Clifton Karnei as Committee Vice Chairman. Mr. Gresham seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

With the re-election of Mr. Karnei as Vice Chairman, Ms. Walsh handed the meeting over to Vice Chairman Karnei. Vice Chairman Karnei addressed the following Agenda Items in the order below.

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

Vice Chairman Karnei entertained a motion for Committee Secretary.

**Ms. Walsh moved to designate Chad Seely, ERCOT Vice President, General Counsel and Corporate Secretary, or his designee as Committee Secretary. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**December 7, 2015 General Session Meeting Minutes (Agenda Item 3)**

Vice Chairman Karnei entertained a motion to approve the December 7, 2015 General Session Meeting Minutes (Minutes).

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

**Charter Review and Approval; Recommendation regarding Committee Charter (Agenda Items 4 and 4.1)**

Vice Chairman Karnei presented the Committee Charter and reported that there were no revisions being proposed at this time. There were no questions or comments from Committee members.

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

**Review and Approval of Internal Audit Department Charter (Agenda Item 4.2)**

Allison Atherton presented the Internal Audit Department Charter and reported that there were no revisions being proposed at this time. There were no questions or comments from Committee members.



**Mr. Gresham moved to approve the Internal Audit Department Charter as presented. Ms. Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Review and Ratification of Credit Work Group Charter (Agenda Item 4.3)**

Mark Ruane presented the Credit Work Group Charter and reported that there were no revisions being proposed. There were no questions or comments from Committee members.

**Mr. Fehrenbach moved to ratify the Credit Work Group Charter 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 5 and 5.1)**

Mr. Ruane presented the Market Credit Risk Corporate Standard. He reported that minor revisions are being proposed, which include ERCOT title updates and credit risk reporting clarifications. There were no questions or comments from Committee members.

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

**Recommendation regarding Investment Corporate Standard (Agenda Item 5.2)**

Leslie Wiley presented the Investment Corporate Standard. She reported that the sole revision being proposed was a title update. There were no questions or comments from Committee members.

**Mr. Fehrenbach moved to recommend for Board approval the Investment Corporate Standard as presented. Ms. Walsh 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; Policy on Independent Auditor Selection (Agenda Items 5.3, 5.4, and 5.5)**

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. There were no questions or comments from Committee members.

**Preapproval of Non-Audit Services (Agenda Item 6)**

Mr. Taylor presented the preapproval of non-audit services. He explained that ERCOT staff was requesting preapproval to engage Baker Tilly Virchow Krause, LLP (Baker Tilly) to provide up to \$10,000 of advisory services in connection with the 2015 IRS Form 990, if necessary. There were no questions or comments from Committee members. Vice Chairman Karnei entertained a motion for the preapproval of non-audit services.



**Mr. Gresham moved to preapprove ERCOT to engage Baker Tilly to provide up to \$10,000 of advisory services in connection with the 2015 IRS Form 990, if necessary. Read Comstock 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 2016 CWG Chair and Vice Chair for confirmation. He reported that on January 18, 2016, by electronic vote, CWG elected Donald Meek, Austin Energy, as Chair and Loretto Martin, Direct Energy, as Vice Chair.

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

**Periodic Report on Credit Work Group Activity (Agenda Item 8)**

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

**Committee Education Plan for 2016 (Agenda Item 9)**

Michael Petterson presented the Committee Education Plan for 2016. There were no questions or comments from Committee members.

**Debt Strategy Discussion (Agenda Item 10)**

Mr. Petterson and Leslie Wiley led a discussion on debt strategy and responded to questions and comments from Committee members.

**Forecast Adequacy of the Budgeted System Administrative Fee (Agenda Item 11)**

Mr. Taylor presented the Forecast Adequacy of the Budgeted System Administrative Fee. He explained that this is a new item, to be presented annually, that arose from Market Participant requests made during the 2016-17 budget process for more advanced notice of potential future system administration fee increases. Mr. Taylor responded to questions and comments from Committee members.

**Committee Briefs (Agenda Item 12)**

Mr. Petterson invited Mr. Taylor and Ms. Wiley to present the Committee Briefs.

**Review 2015 Financial Summary (Agenda Item 12.1)**

Mr. Taylor presented the 2015 Financial Summary. There were no questions or comments from Committee members.

**Periodic Report on Investments; Financial Institutions which are Market Participants (Agenda Items 12.2 and 12.3)**

Ms. Wiley presented the Periodic Report on Investments and the Financial Institutions which are Market Participants. There were no questions or comments from Committee members.



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

Mr. Petterson presented the Future Agenda Items. There were no questions or comments from Committee members.

**Other Business (Agenda Item 14)**

No other business was discussed at this time

**Executive Session; Vote on Matters from Executive Session; Adjournment (Agenda Items 15 and 16)**

Vice Chairman Karnei announced that no voting items from Executive Session were expected; accordingly, he would adjourn the meeting immediately upon conclusion of Executive Session. Vice Chairman Karnei recessed the General Session at approximately 2:25 p.m. to convene Executive Session at approximately 2:31 p.m.

There were no voting items from Executive Session.

Vice Chairman Karnei adjourned the meeting upon the conclusion of Executive Session at approximately 3:39 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/)

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Jonathan Levine  
Corporate Counsel