



**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 13, 2017

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 |
|------------------------------------|--|---|
| Cramton, Peter | Unaffiliated | Unaffiliated Director |
| Emery, Keith | Tenaska Power Services Co. | Independent Power Marketer |
| Fehrenbach, Nick | City of Dallas | Consumer – Commercial |
| Jones, Randy | Calpine Corporation | Independent Generator |
| Karnei, Clifton (Vice Chairman) | Brazos Electric Power Cooperative, Inc. | Cooperative |
| Shellman, Carolyn | CPS Energy | Municipal |
| Walsh, Judy (Chair) | Unaffiliated | Unaffiliated Director |
| Werner, John | Source Power & Gas LLC | Independent Retail Electric Provider |

Guest Board Members and Segment Alternates:

| Director/ Segment Alternate | Affiliation | Segment |
|--|---|--|
| Bluntzer, Rick | Just Energy Texas, LP | Independent Retail Electric Provider Segment Alternate |
| Cochran, Seth | DC Energy Texas LLC | Independent Power Marketer Segment Alternate |
| Crowell, Craven | Unaffiliated | Unaffiliated Director <i>(Present Only for Agenda Items 1 – 2.4)</i> |
| Gresham, Kevin | E.ON North America LLC | Independent Generator Segment Alternate <i>(Not Present for Agenda Items 1 – 5.4)</i> |
| Kezar, Mike | South Texas Electric Cooperative, Inc. | Cooperative Segment Alternate |



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|----------------|---------------------------|-----------------------------|
| Williams, Phil | Denton Municipal Electric | Municipal Segment Alternate |
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Officers and Guests:

| | |
|--------------------|---|
| Dreyer, Jerry | ERCOT Senior Vice President and Chief Information Officer |
| Gage, Theresa | ERCOT Vice President of External Affairs and Corporate Communications |
| Levine, Jonathan | ERCOT Corporate Counsel |
| Martin, Loretto | Direct Energy, 2017 Credit Work Group (CWG) Vice Chair |
| Meek, Donald | Austin Energy, 2017 CWG Chair |
| Petterson, Michael | ERCOT Vice President and Chief Financial Officer |
| Ruane, Mark | ERCOT Director of Settlements, Retail and Credit |
| Rickerson, Woody | ERCOT Vice President of Grid Planning and Operations |
| Rychetsky, Penny | ERCOT Director of Internal Audit |
| 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)

Craven Crowell, Board Chairman, determined that a quorum was present and called the General Session of the F&A Committee meeting to order at approximately 1:02 p.m. Board Chairman Crowell noted the Antitrust Admonition.

Confirm Committee Membership and Leadership; Confirm Committee Membership (Agenda Items 2 - 2.1)

Board Chairman Crowell reported that the Committee Membership list, including Segment Alternates, was provided with the meeting materials. He announced that all Committee charter requirements have been met by the 2017 membership. There were no questions or comments from Committee members.

Election of Committee Chair; Election of Committee Vice Chair (Agenda Items 2.2 - 2.3)

Board Chairman Crowell entertained nominations for Committee Chair and Vice Chair.

Clifton Karnei nominated Judy Walsh as Committee Chair. Randy Jones seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Chair Walsh nominated Clifton Karnei as Committee Vice Chairman. Keith Emery seconded the motion. The motion passed by unanimous voice vote with no abstentions.

With the election of Ms. Walsh as Chair, Board Chairman Crowell handed the meeting over to Chair Walsh. Chair Walsh addressed the following Agenda Items in the order below.

Designation of Committee Secretary (Agenda Item 2.4)

Chair Walsh entertained a motion for Committee Secretary.



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

December 12, 2016 General Session Meeting Minutes (Agenda Item 3)

Chair Walsh entertained a motion to approve the December 12, 2016 General Session Meeting Minutes (Minutes).

Vice Chairman Karnei moved to approve the Minutes as presented. Nick 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 - 4.1)

Chair Walsh presented the Committee Charter. She reported that there were minor substantive revisions being proposed and reviewed the revisions with the Committee. There were no questions or comments from Committee members.

Vice Chairman Karnei moved to recommend for Board approval the Committee Charter as presented. Peter Cramton 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)

Penny Rychetsky presented the Internal Audit Department Charter. She reported that there were revisions being proposed to reorganize the contents of the charter and reviewed the revisions with the Committee. Ms. Rychetsky responded to questions and comments from Committee members. Chair Walsh entertained a motion to approve the Internal Audit Department Charter.

Carolyn Shellman moved to approve the Internal Audit Department Charter as presented. John Werner 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 there were no revisions being proposed. There were no questions or comments from Committee members.

Vice Chairman Karnei moved to ratify the Credit Work Group Charter as presented. Mr. Jones 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 a minor revision was being proposed and reviewed the revision with the Committee. There were no questions or comments from Committee members.



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

Recommendation Regarding Financial Corporate Standard (Agenda Item 5.2)

Leslie Wiley presented the Financial Corporate Standard and reported that no revisions were being proposed. There were no questions or comments from Committee members.

Mr. Werner moved to recommend for Board approval the Financial Corporate Standard as presented. Mr. Cramton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Recommendation Regarding Investment Corporate Standard (Agenda Item 5.3)

Ms. Wiley presented the Investment Corporate Standard and reported that no revisions were being proposed. There were no questions or comments from Committee members.

Mr. Jones moved to recommend for Board approval the Investment Corporate Standard as presented. Mr. Fehrenbach 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 5.4 - 5.6)

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. There were no questions or comments from Committee members.

Confirmation of Credit Work Group Chair and Vice Chair (Agenda Item 6)

Mr. Ruane presented the 2017 CWG Chair and Vice Chair for confirmation. He reported that on January 12, 2017, by electronic vote, CWG elected Donald Meek, Austin Energy, as Chair and Loretto Martin, Direct Energy, as Vice Chair.

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

Periodic Report on Credit Work Group Activity (Agenda Item 7)

Mr. Meek presented the Period Report on Credit Work Group Activity. There were no questions or comments from Committee members.

Committee Education Plan for 2017 (Agenda Item 8)

Michael Petterson presented the Committee Education Plan for 2017 and responded to questions and comments from Committee members.



Forecast Adequacy of the Budgeted System Administration Fee (Agenda Item 9)

Mr. Taylor presented the Forecast Adequacy of the Budgeted System Administration Fee and responded to questions and comments from Committee members.

Committee Briefs (Agenda Item 10)

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

Review 2016 Financial Summary (Agenda Item 10.1)

Mr. Taylor presented the 2016 Financial Summary and explained that the financial statement was labeled “preliminary” due to the current audit being performed. He reported that after the audit is complete, the audited financial statement will be brought back to the Committee for its review in April. There were no questions or comments from Committee members.

Periodic Report on Investments (Agenda Item 10.2)

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

Financial Institutions which are Market Participants (Agenda Item 10.3)

Ms. Wiley presented the Financial Institutions which are Market Participants. She clarified that JPMorgan Chase, N.A. should have been listed in the materials as a Financial Institution that is an active Market Participant and that the list would be updated to reflect this. There were no questions or comments from Committee members.

Future Agenda Items (Agenda Item 11)

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

Other Business (Agenda Item 12)

No other business was discussed at this time.

Executive Session; Vote on Matters from Executive Session; Adjournment (Agenda Items 13 and 14)

Chair Walsh announced that no voting items from Executive Session were expected; accordingly, she would adjourn the meeting immediately upon conclusion of Executive Session. Chair Walsh recessed the General Session at approximately 1:42 p.m. to convene Executive Session at approximately 1:54 p.m.

There were no voting items from Executive Session.

Chair Walsh adjourned the meeting upon the conclusion of Executive Session at approximately 3:10 p.m.



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

Jonathan Levine
Corporate Counsel