



**DRAFT GENERAL SESSION MINUTES OF THE
FINANCE AND AUDIT COMMITTEE MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

8000 Metropolis Drive (Building E), Suite 100, Boardroom B
Austin, Texas 78744
February 27, 2023

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:

Director	Affiliation/Role (if any)	Voting Category
Aguilar, Carlos	N/A	Voting
England, Julie	N/A	Voting
Flexon, Bob	N/A	Voting
Flores, Bill (Chair)	N/A	Voting
Heeg, Peggy	N/A	Voting

Other Board Members:

Director	Affiliation/Role (if any)	Voting Category
Foster, Paul	N/A	Voting
Hjaltman, Courtney	Office of Public Utility Council (OPUC), Public Counsel (<i>Not Present for Agenda Items 1 – 8.1</i>)	Voting
Lake, Peter	Public Utility Commission of Texas (PUCT, Commission), Chairman	Non-Voting
Pokharel, Nabaraj	OPUC, Director of Energy Market and Regulatory Policy (<i>Alternate Representative for Public Counsel Courtney Hjaltman for Agenda Items 1 – 8.1</i>)	Voting
Swainson, John	N/A	Voting
Vegas, Pablo	ERCOT President and Chief Executive Officer (CEO)	Non-Voting



Officers and Guests:

Officer/Guest	Role
Black, Robert	ERCOT Vice President of Public Affairs
Day, Betty	ERCOT Vice President of Security and Compliance and Chief Compliance Officer
Glotfelty, Jimmy	PUCT Commissioner
Hahne, Cynthia	ERCOT Corporate Counsel
Hobbs, Kristi	ERCOT Vice President of Corporate Strategy and PUC Relations
Jackson, Kathleen	PUCT Commissioner
Levine, Jonathan	ERCOT Assistant General Counsel and Assistant Corporate Secretary
McAdams, Will	PUCT Commissioner
Parakkuth, Jayapal	ERCOT Vice President and Chief Information Officer
Rainwater, Kim	ERCOT Corporate Counsel
Rejino, Tara	PUCT Chief of Staff, Commission Chairman Peter Lake
Rickerson, Woody	ERCOT Vice President of System Planning and Weatherization
Rychetsky, Penny	ERCOT Director of Internal Audit
Schue, Jamie	ERCOT Senior Corporate Counsel
Seely, Chad V.	ERCOT Senior Vice President, General Counsel and Corporate Secretary
Spak, Mara	ERCOT Vice President of Human Resources
Tamby, Jeyant	ERCOT Senior Vice President, Chief Administrative Officer and Chief of Staff
Taylor, Sean	ERCOT Vice President and Chief Financial Officer
Wiley, Leslie	ERCOT Treasurer
Woodfin, Dan	ERCOT Vice President of System Operations
Zerwas, Rebecca	ERCOT State Policy Principal and Board Liaison

Call General Session to Order and Announce Proxies (Agenda Item 1)

Bill Flores, F&A Committee Chair, determined that a quorum was present and called the F&A Committee meeting to order at approximately 10:32 a.m. Chair Flores recognized Peter Lake, Chairman of the PUCT. Chairman Lake called an Open Meeting of the Commission to order to consider matters that had been duly posted with the Texas Secretary of State for February 27, 2023. Chair Flores highlighted the Antitrust Admonition and addressed the following Agenda Items in the order below.

Designation of Committee Secretary (Agenda Item 2)

Chair Flores entertained a motion for Committee Secretary.

Peggy Heeg moved to designate Chad Seely, ERCOT Senior Vice President, General Counsel and Corporate Secretary, or his designee as Committee Secretary. Bob Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Notice of Public Comment, if Any (Agenda Item 3)

Chair Flores announced that on the agenda for the meeting, which was posted publicly on February 20, 2023, ERCOT had provided instructions for members of the public who were



interested in commenting in person and that to date no individuals had expressed interest in commenting, which Mr. Seely confirmed.

December 19, 2022 General Session Meeting Minutes (Agenda Item 4)

Chair Flores entertained a motion to approve the December 19, 2022 General Session Meeting Minutes (Minutes).

Carlos Aguilar moved to approve the Minutes as presented. Ms. Heeg seconded the motion. The motion passed by unanimous voice vote with no abstentions.

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

Chair Flores presented the Committee Charter. He reported there were minor revisions being proposed for 2023 and reviewed them with the Committee. Chair Flores entertained discussion on the revised Committee Charter. Mr. Flexon proposed additional clarifying revisions in Section IV(F)(6) and (8). Chair Flores entertained a motion on the Committee Charter.

Mr. Flexon moved to recommend that the Board approve the Committee Charter as presented and as further revised by the Committee. Julie England seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Review and Approval of Internal Audit Department Charter (Agenda Item 5.2)

Penny Rychetsky presented the Internal Audit Department Charter. She reported the primary revision relates to the Internal Audit reporting structure proposed for 2023. Chair Flores entertained a motion to approve the revised Internal Audit Department Charter as presented.

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

Policy Review and Approval; Recommendation regarding Financial Corporate Standard (Agenda Items 6 and 6.1)

Leslie Wiley presented the Recommendation regarding Financial Corporate Standard. She reported that revisions were being proposed that include modifying liquidity requirements to ensure undrawn borrowing capacity under the company's credit facilities is sufficient to cover any Congestion Revenue Right (CRR) Auction receipts used to fund ERCOT operations. Chair Flores entertained a motion to recommend that the Board approve the revised Financial Corporate Standard as presented.

Mr. Flexon moved to recommend that the Board approve the revised Financial Corporate Standard as presented. Mr. Aguilar seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Recommendation regarding Investment Corporate Standard (Agenda Item 6.2)

Ms. Wiley presented the Recommendation regarding Investment Corporate Standard. She reported that revisions were being proposed that include adding Texas Government Code



Chapter 809 analysis and aligning language and definitions. Chair Flores entertained a motion to recommend that the Board approve the revised Investment Corporate Standard as presented.

Mr. Agular moved to recommend that the Board approve the revised Investment Corporate Standard as presented. Ms. England 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 6.3 – 6.5)

Sean Taylor presented Handling of Complaints Regarding Financial Matters, Policy on Hiring Former Employees of the Independent Auditor, and Policy on Independent Auditor Selection. Committee members and Mr. Taylor discussed the process for promptly reporting to the Committee any material complaints received related to financial matters.

Forecast Adequacy of the Budgeted System Administration Fee Rate (Agenda Item 7)

Mr. Taylor presented the Forecast Adequacy of the Budgeted System Administration Fee Rate. He reported that a System Administration Fee rate increase is currently anticipated in 2024.

Committee Briefs (Agenda Item 8)

Chair Flores invited Mr. Taylor and Leslie Wiley to present the Committee Briefs.

Review 2022 Financial Summary (Agenda Item 8.1)

Mr. Taylor presented the 2022 Financial Summary. He noted that with respect to the 2022 variance to budget, the decrease in interest income is due to an annual fair market value adjustment of approximately -\$2.3 million for the Subchapter M and N bonds held by ERCOT. Mr. Taylor and Committee members discussed the reason for the downward adjustment; reporting variances to the Committee regularly rather than annually; and the components of non-System Administration Fee revenues and whether the weatherization inspection fee should continue to be separate from the System Administration Fee. In response to a request from Committee members, Mr. Taylor agreed to incorporate projections of interest income using a forward rate curve into future Financial Summary reports.

Periodic Report on Investments (Agenda Item 8.2)

Ms. Wiley presented the Periodic Report on Investments.

Periodic Report on Debt Compliance (Agenda Item 8.3)

Ms. Wiley presented the Periodic Report on Debt Compliance. In response to Committee members' request, Mr. Taylor agreed to include a consolidated amortization schedule for the Subchapter N bonds in future reports to the Committee.

Financial Institutions which are Market Participants (Agenda Item 8.4)

Ms. Wiley presented the Financial Institutions which are Market Participants.



Future Agenda Items (Agenda Item 9)

Mr. Taylor presented the Future Agenda Items. He highlighted items anticipated for the April 17, 2023 Committee meeting.

Other Business (Agenda Item 10)

No other business was discussed at this time.

Executive Session; Vote on Matters from Executive Session; Adjournment (Agenda Items 11 and 12)

Chair Flores announced that no voting items from Executive Session were expected; accordingly, he would adjourn the meeting immediately upon conclusion of Executive Session. Chair Flores recessed General Session at approximately 11:17 a.m. and convened Executive Session at approximately 11:27 a.m.

There were no voting items from Executive Session.

Chair Flores adjourned the meeting upon the conclusion of Executive Session at approximately 12:30 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 M. Levine
Assistant Corporate Secretary