



**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  
April 18, 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:**

<b>Director</b>	<b>Affiliation/Role (if any)</b>	<b>Voting Category</b>
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:**

<b>Director</b>	<b>Affiliation/Role (if any)</b>	<b>Voting Category</b>
Foster, Paul	N/A	Voting
Hjaltman, Courtney	Office of Public Utility Council (OPUC)	Voting
Lake, Peter	Public Utility Commission of Texas (PUCT, Commission), Chairman	Non-Voting
Swainson, John	N/A	Voting
Vegas, Pablo	ERCOT President and Chief Executive Officer (CEO) <i>(Not Present for Agenda Items 4.4 – 5)</i>	Non-Voting

**Officers and Guests:**

<b>Officer/Guest</b>	<b>Role</b>
Black, Robert	ERCOT Vice President of Public Affairs
Cobos, Lori	PUCT Commissioner



Day, Betty	ERCOT Vice President of Security and Compliance and Chief Compliance Officer
Gendreau, Jeff	Baker Tilly US, LLP (Baker Tilly), Partner
Gordon, David	PUCT Legal Adviser, Commission Chairman Peter Lake
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
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 8:31 a.m. Chair Flores recognized Peter Lake, Chairman of the PUCT. Chairman Lake called back into order the Open Meeting of the Commission that had been recessed the prior day. Chair Flores highlighted the Antitrust Admonition and addressed the following Agenda Items in the order below.

### **Notice of Public Comment, if Any (Agenda Item 2)**

Chair Flores announced that on the agenda for the meeting, which was posted publicly on April 11, 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.

### **February 27, 2023 General Session Meeting Minutes (Agenda Item 3)**

Chair Flores entertained a motion to approve the February 27, 2023 General Session Meeting Minutes (Minutes).

**Peggy Heeg moved to approve the Minutes as presented. Bob Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



**Periodic Meeting with Independent Financial Auditor; Review of Requirements for Annual Audit of Financial Statements and Annual Servicer’s Certificate; Report on December 31, 2022 Financial Audit and Annual Servicer’s Certificate (Agenda Items 4 and 4.1 – 4.2)**

Richard Scheel presented the Review of Requirements for Annual Audit of Financial Statements and Annual Servicer’s Certificate. Mr. Scheel introduced Jeff Gendreau of Baker Tilly. Mr. Gendreau presented the Report on December 31, 2022 Financial Audit (Financial Statements Audit Report) for ERCOT, Inc. consolidated, Texas Electric Market Stabilization Funding M LLC (TEMSFM), and Texas Electric Market Stabilization Funding N LLC (TEMSFN). Mr. Gendreau reported that Baker Tilly plans to issue unmodified reports on the financial statements of ERCOT, Inc. consolidated, TEMSFM, and TEMSFN. He added that Baker Tilly identified no material weakness or significant deficiencies in ERCOT’s, TEMSFM’s, or TEMSFN’s internal controls. Regarding the Annual Servicer’s Certificate, Mr. Gendreau noted that on March 30, 2023, Baker Tilly issued an unmodified report to ERCOT regarding ERCOT’s compliance with applicable servicing criteria required of ERCOT as servicer of the Subchapter N Bonds.

**Review of Audited Financial Statements and Annual Servicer’s Certificate; Recommendation regarding Acceptance of ERCOT Consolidated Financial Statements Audit Report; Recommendation regarding Acceptance of Texas Electric Market Stabilization Funding M LLC Financial Statements Audit Report; and Recommendation regarding Acceptance of Texas Electric Market Stabilization Funding N LLC Financial Statements Audit Report (Agenda Items 4.3 – 4.6)**

Mr. Scheel presented the Review of Audited Financial Statements and Annual Servicer’s Certificate. Committee members, Mr. Gendreau, and Sean Taylor discussed Baker Tilly’s statement that ERCOT management’s evaluation of going concern did not identify any conditions or events that give rise to substantial doubt about the ability of ERCOT, TEMSFM, or TEMSFN to continue as a going concern. Mr. Gendreau indicated that the Independent Financial Auditor concurred with management’s assessment based on evidence in the form of Letters of Inquiry from external legal counsel and from internal legal counsel expressing opinions that conditions were remote that would raise substantial doubt about going concern and there is insufficient information with which to provide additional accruals in the Audited Financial Statements, which resulted in the disclosure regarding pending litigation in Note 12 of the Audited Financial Statements. In response to a question regarding opportunities for improvement, Mr. Gendreau highlighted industry-related concerns included in a recent Federal Bureau of Investigation (FBI) presentation to the Midwest Reliability Organization.

Chair Flores entertained a motion for the Recommendation regarding Acceptance of Financial Statements Audit Reports for ERCOT, Inc. consolidated, TEMSFM, and TEMSFN.

**Carlos Aguilar moved to recommend that the Board accept the audited financials and Financial Statements Audit Reports for (1) ERCOT, Inc. consolidated; (2) TEMSFM; and (3) TEMSFN, each as presented. Julie England seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Committee Briefs (Agenda Item 5)**

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



### **Review 2023 Financial Summary (Agenda Item 5.1)**

Mr. Taylor presented the 2022 Financial Summary. He and Committee members discussed the components of staffing management expenditures as reflected in the variance-to-budget report; the reasons for the forecasted large positive variance in interest income compared to what was budgeted for 2023; and the reasons for the large overall negative variance to budget for 2023. Committee members requested that the Financial Summary report include a list of items approved by the Board that create large negative variances and the aggregate impact.

### **Periodic Report on Investments (Agenda Item 5.2)**

Ms. Wiley presented the Periodic Report on Investments. She highlighted deposit risk associated with the recent failure of Silicon Valley Bank (SVB) and how ERCOT mitigates this risk.

### **Periodic Report on Debt Compliance (Agenda Item 5.3)**

Ms. Wiley presented the Periodic Report on Debt Compliance.

### **Review Proposed 2024-2025 Biennial Budget (Agenda Item 6)**

Pablo Vegas commented on the preparation of the proposed 2024-2025 Biennial Budget and the drivers for the proposed increase in the System Administration Fee rate. Mr. Taylor presented the Review of Proposed 2024-2025 Biennial Budget. Committee members, other Board members, PUCT Commissioners, and Mr. Taylor discussed budget drivers and assumptions, and potential risks to meeting the budget and mitigation responses. Chair Flores requested Committee member feedback on the proposed 2024-2025 Biennial Budget prior to the June 2023 Committee meeting and that ERCOT staff's presentation include prioritized department expenditures.

### **Draft Committee Self-Evaluation Survey (Agenda Item 7)**

Chair Flores presented the Draft Committee Self-Evaluation Survey and asked Committee members to provide to ERCOT staff any feedback on the draft survey.

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

Mr. Taylor presented the Future Agenda Items. He highlighted items anticipated for the June 19, 2023 Committee meeting.

### **Other Business (Agenda Item 9)**

No other business was discussed at this time.

### **Executive Session**

Chair Flores recessed General Session at approximately 11:04 a.m. and convened Executive Session at approximately 11:16 a.m. Chair Flores reconvened General Session at approximately 12:49 p.m.

### **Vote on Matters from Executive Session (Agenda Item 10)**

Chair Flores entertained a motion for matters discussed during Executive Session.

**Ms. Heeg moved to recommend that the Board select the company discussed during Executive Session under Agenda Items ES 2.2 as the qualified public accounting firm to**



perform the following for the year ending December 31, 2023: (1) the financial statements audit, servicer's certificate report, and Form 990 review for ERCOT, Inc.; (2) the financial statements audit and consolidation procedures for TEMSFM; and (3) the financial statements audit and consolidation procedures for TEMSFN. Mr. Aguilar seconded the motion. The motion passed by unanimous voice vote with no abstentions.

**Adjournment (Agenda Item 11)**

Chair Flores adjourned the meeting at approximately 12:51 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 M. Levine  
Assistant Corporate Secretary

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