



**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 A
Austin, Texas 78744
December 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:

| Director | Affiliation/Role (if any) | Voting Category |
|----------------------|--|------------------------|
| Flexon, Bob | N/A (<i>Via Teleconference</i>) | Voting |
| Flores, Bill (Chair) | N/A | Voting |
| Heeg, Peggy | N/A | Voting |
| Hjaltman, Courtney | Office of Public Utility Council (OPUC), Public Counsel | Voting |

Other Board Members:

| Director | Affiliation/Role (if any) | Voting Category |
|-------------------|---|------------------------|
| England, Julie | N/A | Voting |
| Foster, Paul | N/A | Voting |
| Jackson, Kathleen | Public Utility Commission of Texas (PUCT, Commission), Interim Chair | Non-Voting |
| Vegas, Pablo | ERCOT President and Chief Executive Officer (CEO) | Non-Voting |

Officers and Guests:

| Officer/Guest | Role |
|----------------------|---|
| Anderson, Troy | ERCOT Senior Manager of Portfolio Management |
| Day, Betty | ERCOT Vice President, Security and Compliance and Chief Compliance Officer |
| George, Brittany | Weaver and Tidwell, LLP, Partner (<i>Via Teleconference</i>) |
| James, Michelle | ERCOT Manager, Critical Infrastructure Protection (CIP) and Corporate Compliance |
| Rainwater, Kim | ERCOT Corporate Counsel |
| Scheel, Richard | ERCOT Controller |
| Seely, Chad V. | ERCOT Senior Vice President, General Counsel and Corporate Secretary |



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|------------------|---|
| Spak, Mara | ERCOT Vice President of Human Resources |
| Taylor, Sean | ERCOT Vice President and Chief Financial Officer |
| Thompson, Chad | ERCOT Director of Compliance Analysis |
| Tull, Melanie | Weaver and Tidwell, LLP, Senior Manager (<i>Via Teleconference</i>) |
| Rychetsky, Penny | ERCOT Director of Internal Audit |
| Wiley, Leslie | ERCOT Treasurer |
| White, Jennifer | PUCT Chief of Staff, Commission Interim Chair Jackson |

Call General Session to Order (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 8:30 a.m. Chair Flores indicated Committee member Bob Flexon joined the meeting by teleconference and confirmed a quorum was present in person. 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 December 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 Chad Seely confirmed.

October 16, 2023 General Session Meeting Minutes (Agenda Item 3)

Chair Flores entertained a motion to approve the October 16, 2023 General Session Meeting Minutes (Minutes).

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

Annual Committee Self-Evaluation Survey Results (Agenda Item 4)

Following the October meeting, Board members who served on the F&A Committee during 2023 were asked to complete a Committee Self-Evaluation Survey. Results were compiled and included in the meeting materials.

2023 System and Organization Control Audit; Review of Requirements for Annual System and Organization Control Audit; Results of Examination and Independence Report from the System and Organization Control Auditor; Recommendation regarding Acceptance of 2023 System and Organization Control Audit Report (Agenda Items 5 – 5.3)

Betty Day presented a review of the requirements for the annual System and Organization Control (SOC) Audit. Brittany George and Melanie Tull of Weaver and Tidwell, LLP presented the Results of Examination and Independence Report from the System Control Auditor. A draft of the confidential report was included in the Committee's Executive Session meeting materials. Chair Flores invited discussion and entertained a motion on a recommendation to the Board regarding acceptance of the report.



Ms. Heeg moved to recommend the Board accept the 2023 System and Organization Control Audit Report as presented. Ms. Hjaltman seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Committee Briefs (Agenda Item 6)

Chair Flores invited Sean Taylor to present the Committee Briefs.

Review 2023 Financial Summary (Agenda Item 6.1)

Mr. Taylor presented the Review 2023 Financial Summary, including 2023 variance to budget and ERCOT statements of financial position, activities and net assets, and use of Congestion Revenue Rights (CRR) funds. Mr. Taylor discussed a recent change to ERCOT's investment strategy to move investments from cash and Money Market Mutual Funds (MMMF) to bond investments. Committee members and Mr. Taylor discussed ERCOT's cash holdings and the system administration fee.

Periodic Report on Investments (Agenda Item 6.2)

Mr. Taylor presented the Periodic Report on Investments. He reported ERCOT is in compliance with all investment requirements. As of the end of October 2023, ERCOT's MMMF yields equaled approximately 5.24%, consistent with the yields reported at the August 2023 F&A Committee meeting, and the purchase yield of ERCOT's U.S. Treasury Obligation Portfolio equaled approximately 5.36%. Committee members and Mr. Taylor discussed impact of each percent change on annual interest income.

Periodic Report on Debt Compliance (Agenda Item 6.3)

Mr. Taylor presented the Periodic Report on Debt Compliance. He reported ERCOT is in compliance with all debt requirements, including securitization.

Recommendation regarding Acceptance, Adoption and Approval of 2024-2025 Budget and Fee (Agenda Item 7)

Chair Flores discussed the ERCOT Bylaws requirement for Board approval of the ERCOT Budget and the Board Policies and Procedures requirement for the Board to adopt the 2024-2025 Budget as approved by the Commission to authorize the CEO to complete work plans and make associated expenditures. In November, the Commission approved total spending authorization for operating expenses, project spending, and debt service obligations in the amounts of \$405,700,000 and \$414,300,000 for 2024 and 2025, respectively, and approved an ERCOT system administration fee rate (Fee) of \$0.630 per megawatt-hour, effective January 1, 2024. Chair Flores reiterated that budget risks include lower than projected interest rates and inequitable benefits among rate payers of expenditures during 2024/2025 and 2026/2027. Because the budget and fee approved by the PUCT differs from the budget and fee approved by the Board in June, Chair Flores invited discussion and entertained a motion for the Committee to recommend the Board adopt and approve the 2024-2025 Budget and Fee as approved by the Commission.

Ms. Hjaltman moved to recommend the Board accept, adopt, and approve the PUCT-approved 2024-2025 Budget and Fee as presented. Ms. Heeg seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Committee members discussed changing interest rates, budget coordination among ERCOT and the Commission in 2024 and 2025, and current projections for the Fee to increase to \$0.740 per megawatt-hour.

Future Agenda Items (Agenda Item 8)

Mr. Taylor presented the Future Agenda Items. He highlighted items anticipated for the 2024 Committee meetings, including Committee review in August of the Commission-ordered operating budget reconciliation.

Other Business (Agenda Item 9)

No other business was discussed at this time.

Executive Session

Chair Flores recessed General Session at approximately 9:09 a.m. and convened Executive Session at approximately 9:10 a.m. Chair Flores reconvened General Session at approximately 11:01 a.m.

Vote on Matters from Executive Session (Agenda Item 10)

Chair Flores entertained motions for two matters discussed during Executive Session.

Ms. Heeg moved to recommend the Board select the auditor discussed during Executive Session under Agenda Item ES 2.5 as the 2024 Independent System and Organization Control Auditor. Ms. Hjaltman seconded. The motion passed by unanimous voice vote with no abstentions.

Ms. Hjaltman moved to approve the 2024 Internal Audit Plan as presented. Ms. Heeg seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment (Agenda Item 11)

Chair Flores adjourned General Session and the meeting at approximately 11:02 a.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