

MINUTES OF THE ERCOT ISO FINANCE & AUDIT COMMITTEE MEETING

Austin Met Center

8:30 A.M.

September 18, 2007

Pursuant to notice duly given, the meeting of the Electric Reliability Council of Texas, Inc. Finance & Audit Committee convened at 8:30 A.M. on **September 18, 2007**. The Meeting was called to order by Clifton Karnei, who ascertained that a quorum was present.

Meeting Attendance

Committee members:

Clifton Karnei, Chair	Brazos Electric Cooperative	Cooperative	Present
Miguel Espinosa, Vice Chair	Unaffiliated Board Member	Unaffiliated Board Member	Present
Nick Fehrenbach	City of Dallas	Consumer	Present
R. Scott Gahn	Just Energy	Ind. Retail Electric Provider	Present
Michehl Gent	Unaffiliated Board Member	Unaffiliated Board Member	Present
Tom Standish	Centerpoint Energy	Investor-Owned Utility	Present
William Taylor	Calpine Corporation	Ind. Generator	Not Present
Dan Wilkerson	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider	Present
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ERCOT staff and guests present:

Byone, Steve	ERCOT
Campbell, Cassandra	ERCOT
Doolin, Estrellita	ERCOT
Frederick, Neal	PUCT
Gallo, Andrew	ERCOT
Garcia, Diana	Maxwell, Locke & Ritter
Hancock, Misti	ERCOT
Kahn, Bob	ERCOT
Kolodzies, Eddie	Customized Energy Solutions
Petterson, Mike	ERCOT
Porter, Lea Anne	ERCOT
Tietjen, Darryl	PUCT
Troxell, David	ERCOT
Vincent, Susan	ERCOT
Yager, Cheryl	ERCOT
Wullenjohn, William	ERCOT
Zimmerhanzel, A. J.	Maxwell, Locke & Ritter

Executive Session

At 8:31 A.M., the Committee meeting was adjourned and the Committee went into Executive Session until 9:02 A.M., when the Committee returned to Open Session.

Approval of Previous Minutes

Miguel Espinosa made a motion to approve the minutes of the Committee meeting held on August 21, 2007; Nick Fehrenbach seconded the motion. The motion passed unanimously.

Acceptance of 401k Savings Plan Audit Report

Representatives of Maxwell Locke & Ritter LLP (MLR) briefed the Committee on the results of the annual audit of ERCOT's 401k Savings Plan. A. J. Zimmerhanzel reported that they had issued a standard report, with no issues identified. The Committee discussed the report and the 401(k) Savings Plan financials with the MLR representatives.

Miguel Espinosa made a motion to recommend the Board accept the 2006 audited financial statements for ERCOT's 401(k) Savings Plan as presented by Maxwell, Locke & Ritter, LLP.; Michehl Gent seconded the motion. The motion passed unanimously.

Update on Third-Party Credit Review

Cheryl Yager informed the Committee that Oliver Wyman had signed a contract with ERCOT and started work. Ms. Yager noted that an open workshop would be held with Credit Work Group members and other interested market participants tomorrow, Wednesday September 19th to obtain input on the Credit Scoring component of the model. She noted that another market participant workshop was planned for late October or early November to obtain input from the market on aspects of the other modules of the model. Ms. Yager also explained that a Steering Committee (comprised of Steve Byone, Cheryl Yager, Betty Day, and Morgan Davies) had been created to monitor and review results from the project. Ms. Yager informed the Committee that she would participate in a workshop next week (organized by the Public Utility Commission of Texas in connection with it's rule-making process) to provide information about how ERCOT handles credit issues involving entities with more than one million customers.

Update on 2007 Financial Forecast

Misti Hancock distributed and reviewed a document entitled Year-End 2007 Financial Projection with the Committee. She noted that the favorable variance of approximately \$4.2 million was primarily due to uncertainty related to the Texas Nodal Market Implementation Program when the 2007 budget was developed. Steve Byone explained that some expenses previously allocated to cover Nodal-related expenses were credited back to base operations after the Nodal fee was approved.

Committee Briefs (Q&A only)

Committee members were provided written reports with information for the following areas:

1. Market Credit
2. Internal Control Management Program (ICMP)
3. Enterprise Risk Management (ERM)
4. Project Management Organization (PMO)

Recommendation of 2008 Budget

Committee discussed the budget status and affirmed its recommendation that the Board adopt the budget as it was presented during the Board of Directors meeting held August 21, 2007.

Future Agenda Items

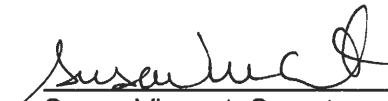
Steve Byone noted that in October, staff would bring the Market Participant Guarantee Agreements and Letter of Credit form to the Committee for proposed very slight modifications, to conform to the new Standard Form Agreements. Other future agenda items include: standing Internal Audit status report(s); review of Credit Work Group matters; update on ERM program; and Committee Briefs.

Mr. Byone also proposed removing from future Board meeting materials the PUC/NERC/FERC Filings Report. The Committee confirmed that the removing this report from the meeting materials was acceptable and that a member would notify Mr. Byone if they desired to reinstate this Report.

Adjournment

At 9:45 A.M. the Committee meeting was adjourned.

The next regular Committee meeting will be held on the morning of Tuesday, October 16, 2007.



Susan Vincent, Secretary