



MEMO

Date: December 7, 2004
To: Board of Directors
From: Clifton Karnei, Chair, Finance & Audit Committee
Subject: ERCOT Financial Policy Update

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: December 14, 2004

Agenda Item No.: 9c

Issue:

ERCOT requires Board of Directors' approval of changes to ERCOT's financial policy.

Background/History:

In July 2002, ERCOT established a financial policy defining the principals by which ERCOT performs its financial planning and budgeting. The ERCOT Board revised and approved this policy in August 2004.

ERCOT Staff proposes one additional change due to discussions with the Finance and Audit Committee surrounding the 2005 ERCOT Budget. This proposed change clarifies that ERCOT's unhedged, variable rate debt outstanding will not exceed 40% of ERCOT's total debt outstanding.

Attachment A reflects the proposed changes to ERCOT's financial policy.

Key Factors Influencing Issue:

ERCOT should have a clear policy to maintain a prudent composition in the structure and components of its debt.

Alternatives:

- Continue operating under current financial policy.
- Approve revisions to policy and authorize ERCOT Staff to implement.

Conclusion/Recommendation:

The Finance & Audit Committee and ERCOT Staff recommend that the Board approve the proposed resolution attached hereto.



RESOLUTION OF
THE BOARD OF DIRECTORS OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

December 14, 2004

WHEREAS, the board of directors (the “Board”) of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation (the “Company”) deems it desirable and in the best interests of the Company, in order to provide sound financial policy for its business;

NOW, THEREFORE, BE IT RESOLVED, that the Financial Policy, a draft of which is attached hereto as ATTACHMENT A, is hereby authorized and approved in each and every respect;

RESOLVED, that each of the Secretary and each Assistant Secretary of the Company is hereby severally authorized and empowered to certify to the passage of the foregoing resolutions under the seal of the Company or otherwise.