



# MEMO

**Date:** November 8, 2005  
**To:** Board of Directors  
**From:** Clifton Karnei, Chair, Finance & Audit Committee  
**Subject:** ERCOT Investment Standard

## **Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** November 15, 2005

**Agenda Item No.:** 5a(2)

### **Issue:**

ERCOT requires Board of Directors' approval of changes to its Investment Standard, along with authorization to execute the necessary documents to carry out the revised Standard.

### **Background/History:**

ERCOT established an Investment Policy to optimize its cash management in August 2002. Since then, ERCOT has invested its operating funds, funds from borrowings and funds held for the market as prescribed by its Investment Policy.

In conjunction with implementing the internal control management program, ERCOT has established a new documentation framework. In this framework, the Investment Policy is being renamed an Investment Standard.

The Investment Standard, which is attached hereto as Attachment B, reflects format and other proposed changes for this Standard.

### **Key Factors Influencing Issue:**

- Need for approval of changes to the Investment Standard.
- Need for a resolution authorizing ERCOT Staff to open such bank and investment accounts as may be required from time to time to implement the Investment Standard.

### **Alternatives:**

- Continue with current investment practices.
- Approve revisions to the Investment Standard and authorize ERCOT Staff to implement the revised Standard.

### **Conclusion/Recommendation:**



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The Finance & Audit Committee and ERCOT Staff recommend that the Board approve the motion attached as Attachment A.



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## Attachment A

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

November 15, 2005

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 set a sound investment standard (“Investment Standard”) for its business;

NOW, THEREFORE, BE IT RESOLVED, that the Investment Standard, a draft of which is attached hereto as Attachment B, is hereby authorized and approved in each and every respect; and

RESOLVED, that the Chief Financial Officer and the Treasurer of ERCOT (the “Designated Investment Officers”) are authorized to enter into investment transactions in accordance with the Investment Standard; and

RESOLVED, that any two of the following individuals, with at least one being a Designated Investment Officer shall have authority to open and close investment and/or depository accounts with Qualified Institutions (as defined in the Investment Standard): Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, General Counsel, Controller and Treasurer; and

RESOLVED, that the Designated Investment Officers be, and each of them singly hereby is, authorized and empowered in the name of and on behalf of the Company from time to time to do and perform such acts and deeds and to make, execute and deliver all such other agreements, certificates, instruments and documents on behalf of the Company as may be necessary and by them deemed appropriate to carry out the investments authorized under the Investment Standard, and all acts and things whether heretofore or hereafter done or performed by any of the Designated Investment Officers which are in conformity with the intents and purposes of these resolutions shall be and the same are hereby in all respects ratified, confirmed and approved; and further

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.