



MEMO

Date: December 6, 2005
To: ERCOT Board of Directors
From: Clifton Karnei
Subject: 2004 Audited Financial Statements for ERCOT's 401(k) Savings Plan and Money Purchase Plan

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: December 13, 2005

Agenda Item No.:

Issue:

ERCOT must obtain an annual audit of its financial records pursuant to the Bylaws.

Section 9.6 Audit. At least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board. The Auditor's opinion and the audited financial statements will be made available to all Members as described in Section 9.5.

While Section 9.6 of the ERCOT Bylaws does not specifically address audits of the financial statements of ERCOT's employee benefit plans, management believes that it is appropriate to seek the same Board approval and acceptance for the benefit plan audits as are received on ERCOT Inc.'s audited financial statements.

Background/History:

PricewaterhouseCoopers LLP ("PwC") was engaged by ERCOT, subsequent to Board approval, to perform the annual audit of the financial books and records of ERCOT's 401(k) Savings Plan and Money Purchase Plan.

On December 13, 2005, PwC will make a formal presentation to the Finance & Audit Committee ("F&A Committee") of the Board to discuss the proposed 2004 audit reports for ERCOT's 401(k) Savings Plan and Money Purchase Plan.

It is contemplated that the F&A Committee will review and accept the audited financial statements as presented by PwC.

Conclusion/Recommendation:

The F&A Committee of the Board of Directors is expected to recommend approval and acceptance of the Report on Audit of Financial Statements of ERCOT's 401(k) Savings



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Plan and Money Purchase Pension Plan for the Years ended December 31, 2003 and 2004 as presented by PwC.