



MEMO

Date: January 10, 2006
To: ERCOT Board of Directors
From: Steve Byone
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: January 17, 2006

Agenda Item No.: 14b

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 acceptance of the benefit plan audits as it receives for ERCOT'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.

At regularly scheduled meetings in November 2005 and December 2005, the Finance & Audit Committee ("F&A Committee") of the Board received reports from ERCOT staff and PwC auditors and discussed findings relating to the audits of 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 prepared by PwC.

Conclusion/Recommendation:

ERCOT recommends that the Board of Directors accept the Report on Audit of Financial



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Statements of ERCOT's 401(k) Savings Plan and Money Purchase Pension Plan for the Years ended December 31, 2003 and 2004 as prepared by PwC, and ERCOT anticipates that the F & A Committee will recommend acceptance of this Report.