



MEMO

Date: October 10, 2006
To: ERCOT Board of Directors
From: Steve Byone, Vice President & Chief Financial Officer
Subject: 2004 and 2005 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: October 17, 2006

Agenda Item No.: 07c

Issue:

ERCOT must obtain an annual audit of its financial statements 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 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. PwC has completed these audits.

At a special meeting of the Finance & Audit Committee ("F&A Committee") of the Board held on October 5, 2006, ERCOT staff provided the F&A Committee with PwC's drafts of the Financial Statements and Supplemental Schedule with Report of Independent Auditors for the years ending December 31, 2004 and 2005, for the ERCOT 401(k) Savings Plan and Money Purchase Plan. The F&A Committee accepted the draft reports, as prepared by PwC, with the understanding that the outstanding issues were minor administrative and grammatical issues.

Conclusion/Recommendation:

The F&A Committee of the Board of Directors is expected to recommend acceptance of the Financial Statements and Supplemental Schedule with Report of Independent Auditors for the years ending December 31, 2004 and 2005, for the ERCOT 401(k) Savings Plan and Money Purchase Plan. ERCOT requests that the Board accept these reports.



MEMO

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

WHEREAS, the board of directors (the “Board”) of the Electric Reliability Council of Texas (“ERCOT”), Inc., a non-profit corporation (the “Company”) deems it desirable and in the best interest of ERCOT to accept the 2004 and 2005 financial statements and audit reports by PricewaterhouseCoopers for the ERCOT 401(k) Savings Plan and Money Purchase Plan.

RESOLVED, that the Board hereby accepts the Financial Statements and Supplemental Schedule with Report of Independent Auditors for the years ending December 31, 2004 and 2005, for the ERCOT 401(k) Savings Plan and Money Purchase Plan.

CORPORATE SECRETARY’S CERTIFICATE

I, James Thorne, General Counsel and Corporate Secretary of the Electric Reliability Council of Texas, Inc., a Texas nonprofit corporation (“ERCOT”), do hereby certify that, at the [date of meeting] ERCOT Board Meeting, the Board of Directors of ERCOT passed a Resolution approving the above resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 20___.

James Thorne
General Counsel and Corporate Secretary