



**Date:** May 8, 2007  
**To:** Board of Directors  
**From:** Steve Byone, Vice President & Chief Financial Officer  
**Subject:** Money Purchase Plan – Final Audited Financial Statements (March 2006)

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** May 16, 2007

**Agenda Item No.:** 15b

**Issue:**

Acceptance of the audited financials for ERCOT's Money Purchase Plan (MPP), as of its termination date of March 31, 2006.

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.

IRS rules and regulations also require an annual financial statement audit of benefit plans such as ERCOT's Money Purchase Plan (MPP).

**Background/History:**

In October 2005, PricewaterhouseCoopers LLP (PwC) was engaged by ERCOT, subsequent to Board approval, to perform the annual audit of ERCOT's MPP for a three year period covering audit years 2005-2007 (audit field work to be conducted in 2006-2008).

ERCOT terminated its MPP effective March 31, 2006, because the MPP was merged into the ERCOT 401(k) Savings Plan on April 1, 2006. As a result, ERCOT was required to complete a final audit of the MPP on an accelerated time table. The audited financials for the 401k Savings Plan for 2006, including a comparative to 2005, will be completed in the Fall of 2007.

In effort to more quickly complete the final audit of the MPP, minimize penalties and interest relating to late completion of the final MPP audit, reduce benefit plan audit fees, and receive more experienced, attentive audit services, in February 2007, management recommended and the Board resolved that Maxwell, Locke & Ritter, LLP be selected to complete the final audit of the MPP financial statements as well as the 2007 and 2008 financial statements of ERCOT's 401(k) Savings Plan.

On May 16, 2007, it is expected, Maxwell, Locke & Ritter, LLP will meet with the Finance & Audit Committee (F&A Committee) of the Board to discuss the proposed final audit report for ERCOT's terminated MPP.

The F&A Committee is expected to accept the final audited financial statements for the MPP as presented by Maxwell, Locke & Ritter, LLP during their meeting.



**Key Factors Influencing Issue:**

The key factors influencing the decision are ERCOT's bylaw requirement, IRS requirements, desire to minimize potential penalties and interest costs stemming from late filing of the final audit of the MPP financial statements, and the expectation that Maxwell, Locke & Ritter, LLP will issue an acceptable audit opinion in connection with their final audit of ERCOT's MPP financial statements.

**Alternatives:**

The Board has two alternatives:

1. Accept the audited financial statements as presented by Maxwell, Locke & Ritter, LLP or
2. Postpone the acceptance of the audited financial statements until a future date following additional investigation or discussion with Maxwell, Locke & Ritter, LLP or management regarding the financial statements.

**Conclusion/Recommendation:**

The F&A Committee of the Board of Directors is expected to recommend Board acceptance of the final audited financial statements of the MPP as presented by Maxwell, Locke & Ritter, LLP.



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

WHEREAS, the board of directors (the Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable to accept the final audited financial statements of ERCOT's terminated Money Purchase Plan, as of the termination date of March 31, 2006, as presented by Maxwell, Locke & Ritter, LLP;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby accepts the final audited financial statements for ERCOT's terminated Money Purchase Plan as presented by Maxwell, Locke & Ritter, LLP.