



Date: March 10, 2009
To: Board of Directors
From: Steve Byone, Vice President and Chief Financial Officer
Subject: Review of ERCOT's Financial Corporate Standard

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: March 17, 2009

Agenda Item No.: 12a

Issue:

Consideration of modifications to the ERCOT Financial Corporate Standard which are desired by the Public Utility Commission of Texas (Commission) and recommended by ERCOT staff.

Background/History:

The Board of Directors (Board) of ERCOT has established a Financial Corporate Standard. The Finance and Audit Committee (Committee) reviews this standard at least annually and as needed and makes recommendations for modifications to the Board. The Board must approve any modifications to the standard.

The Financial Corporate Standard establishes a framework from which ERCOT's financial integrity is maintained while serving the long-term interests of the company and the ERCOT market. ERCOT recognizes that maintaining financial integrity is critical to accomplishing its corporate goals and discharging ERCOT's primary responsibilities. The Financial Corporate Standard defines the principles by which ERCOT performs its financial planning and budgeting.

In light of recent feedback from the Commission, ERCOT staff has reviewed the Financial Corporate Standard and recommends a modification to establish a minimum level of equity (revenue) funding when approving proposed Project Budgets, as reflected in *Attachment A*. The Committee is expected to discuss this proposed modification during the March Committee meeting and to provide a recommendation to the Board thereafter.

Key Factors Influencing Issue:

The key factors influencing the issue are (a) the PUCT directive to establish a written policy outlining target equity contribution levels associated with borrowed funds, and (b) a desire to provide a financial framework which supports a strong ERCOT balance sheet.

Alternatives:

There are two primary alternatives:

1. Approve recommended revisions to the Financial Corporate Standard; or
2. Decline to approve the requested revisions, provide further direction to management, and instruct them to reconsider the Financial Corporate Standard and bring a new proposal to the Committee at a future date.



<p><u>Conclusion/Recommendation:</u></p>

<p>Management recommends that the Board approve modifications to the Financial Corporate Standard, as set forth in <i>Attachment A</i>.</p>



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

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation (ERCOT) deems it desirable and in the best interest of ERCOT, in order to provide sound financial guidance for its business, to approve requested revisions to the Financial Corporate Standard;

THEREFORE BE IT RESOLVED, that the revised Financial Corporate Standard, as set forth in *Attachment A*, which is attached hereto and incorporated herein for all purposes, is hereby authorized and approved by the Board in each and every respect.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its March 17, 2009 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2009.

Michael G. Grable
Corporate Secretary