



**Date:** April 14, 2009  
**To:** Board of Directors  
**From:** Steve Byone, Vice President & Chief Financial Officer  
**Subject:** 2008 Audited Financial Statements

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** April 22, 2009

**Agenda Item No.:** 10a

**Issue:**

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

**Background/History:**

Section 10.6 of the ERCOT Bylaws provides that “[a]t least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board.” PricewaterhouseCoopers, LLP (PwC) was engaged by ERCOT, subsequent to Board approval, to perform the annual audit of ERCOT’s financial books and records.

On April 22, 2009, it is expected, PwC will meet with the Finance & Audit Committee (F&A Committee) of the Board to discuss the proposed audit report for year 2008 and PwC’s assessment of the internal controls, recommendations, and other business items raised by the F&A Committee.

The audit opinion is expected to be unqualified or “clean”, and the F&A Committee is expected to accept the audited financial statements as presented by PwC during their meeting on April 22, 2009.

**Key Factors Influencing Issue:**

The key factors influencing the decision are: ERCOT’s Bylaw requirement; a debt covenant requirement that audited financial statements are provided to the lenders by April 30, 2009; and the expectation that PwC will issue an unqualified audit opinion in connection with their audit of ERCOT’s 2008 financial statements.

**Alternatives:**

If, as expected, the audit opinion is recommended for acceptance by the F&A Committee, the Board has two alternatives:

1. Accept the audited financial statements as presented by PwC; or
2. Postpone the acceptance of the audited financial statements until a future date following additional investigation or discussion with PwC or management regarding the financial statements. If this alternative is chosen, ERCOT staff will work with the appropriate lenders to seek a waiver to debt covenants relating to the timing of the availability of audited financial statements.



<p><b><u>Conclusion/Recommendation:</u></b></p> <p>If the F&amp;A Committee recommends Board acceptance of the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2008 and 2007, then ERCOT Staff respectfully recommends acceptance.</p>
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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Finance and Audit Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) recommends acceptance of the PricewaterhouseCoopers, LLP Report on Audit of Financial Statements for the Years Ended December 31, 2008 and 2007 ("Report"); and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the ERCOT audited financial statements and the Report;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby accepts the ERCOT audited financial statements and the Report.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its April 22, 2009 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 2009.

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Michael G. Grable  
Corporate Secretary