

Date: December 4, 2009
To: Texas Regional Entity (Texas RE) Board of Directors
From: Susan Vincent
Subject: Selection of 2009 Financial Auditor

Texas RE Board of Director Meeting Date: December 14, 2009
Agenda Item No.: 5B

Issue:

Selection by the Board of Directors (Board) of a qualified independent public accounting firm to audit the Texas RE 2009 financial statements.

Section 4.10 of the ERCOT Bylaws requires that the Board of Directors must annually select a qualified public accounting firm ("Auditor") to audit the financial statements of ERCOT. Section 6.3 of the ERCOT Bylaws requires Texas RE to have its separate financial statements audited or reviewed annually. Section 5.3.7 of the Texas RE Advisory Committee Charter requires the Committee to recommend a selection of independent auditor to the Board.

Background/History:

On September 15, 2009, after ERCOT received bids and evaluated potential auditors through a competitive process, the ERCOT Finance & Audit (F&A) Committee selected and the ERCOT Board of Directors approved Ernst & Young as the qualified public accounting firm to perform the ERCOT financial audit for 2009.

Since Texas RE is a division of ERCOT and because ERCOT has already selected Ernst & Young to perform its financial audit (and given the efficiencies of using the same auditor as ERCOT), Texas RE does not believe that it could obtain a financial audit from a similar public accounting firm for less expense.

Key Factors Influencing Issue:

- The requirement of Board approval of the financial auditor
- The efficiency gained by using the audit firm that is auditing ERCOT

Alternatives:

- Select Ernst & Young to perform the 2009 financial statement audit of Texas RE
- Require Texas RE to conduct a competitive process to select a different financial auditor

Conclusion/Recommendation:

Texas RE staff recommends and anticipates that the Texas RE Advisory Committee will recommend that the Board approve the selection of Ernst & Young as the accounting firm to audit the 2009 Texas RE financial statements.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the board of directors (the "Board") of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation must annually select a public accounting firm to audit or review the Texas Regional Entity financial statements;

WHEREAS, after consideration, the Board deems it desirable and in the best interest of Texas Regional Entity to select Ernst & Young as the independent public accounting firm to audit the Texas Regional Entity 2009 financial statements;

THEREFORE be it RESOLVED, that Ernst & Young is hereby selected as the independent public accounting firm to audit the 2009 financial statements of Texas Regional Entity.

CORPORATE SECRETARY'S CERTIFICATE

I, _____, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the _____, 2009 Texas Regional Entity Board Meeting, the Board of Directors of Texas Regional Entity approved the above referenced Resolution. The Motion passed by _____.

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

Susan Vincent
Corporate Secretary