



Date: April 13, 2010
To: Board of Directors
From: Roy Bowman, Interim Vice President and Chief Financial Officer
Subject: 2009 Audited Financial Statements

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 20, 2010

Agenda Item No.: 15a

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.” Ernst & Young LLP (E&Y) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) on September 15, 2009, to perform the annual audit of ERCOT’s financial books and records.

On April 20, 2010, it is expected that E&Y will meet with the Finance & Audit Committee (F&A Committee) of the Board to discuss the proposed audit report for year 2009 and E&Y’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 E&Y during their meeting on April 20, 2010.

Key Factors Influencing Issue:

The key factors influencing the decision are: ERCOT’s Bylaws requirement; a debt covenant requirement that audited financial statements are provided to the lenders by April 30, 2010; and the expectation that E&Y will issue an unqualified opinion in connection with their audit of ERCOT’s 2009 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 E&Y; or
2. Postpone the acceptance of the audited financial statements until a future date following additional investigation or discussion with E&Y 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.

Conclusion/Recommendation:

If the F&A Committee recommends Board acceptance of the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2009 and 2008, then ERCOT Staff respectfully recommends acceptance.



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the ERCOT audited financial statements and Ernst & Young LLP Report on Audit of Financial Statements for the Years Ended December 31, 2009 and 2008 ("Report");

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to accept the ERCOT audited financial statements and Report.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its April 20, 2010 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 April, 2010.

Bill Magness
Interim Corporate Secretary