



Date: April 9, 2012
To: Board of Directors
From: Rebecca Beckham, Manager of Accounting and Financial Reporting
Subject: Acceptance of 2011 Audited Financial Statements

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 16-17, 2012

Agenda Item No.: 14e

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 October 18, 2011, to perform the annual audit of ERCOT’s financial books and records.

On April 16, 2012, it is expected that E&Y will meet with the Finance & Audit (F&A) Committee of the Board to discuss the proposed audit report for year 2011 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 recommend Board of Director acceptance of the audited financial statements as presented by E&Y during their meeting on April 16, 2012.

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, 2012; and the expectation that E&Y will issue an unqualified opinion in connection with their audit of ERCOT’s 2011 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, 2011 and 2010, 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, 2011 and 2010 (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, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its April 16-17, 2012 meeting, the ERCOT Board passed a motion approving the above Resolution by____
_____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of April, 2012.

Vickie G. Leady
Assistant Corporate Secretary