



Date: May 7, 2013
To: Board of Directors
From: Sean Taylor, Controller
Subject: Recommendation of Acceptance of Financial Statement Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: May 14, 2013

Agenda Item No.: 10.1

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 November 13, 2012, to perform the annual audit of ERCOT’s financial books and records.

On May 13, 2013, it is expected that E&Y will meet with the ERCOT Finance & Audit Committee (F&A Committee) of the ERCOT Board to discuss the proposed audit report for year 2012 and E&Y’s assessment of the internal controls, recommendations, and other business items raised by the ERCOT F&A Committee.

The audit opinion is expected to be unqualified or “clean”, and the ERCOT F&A Committee is expected to recommend ERCOT Board acceptance of the audited financial statements as presented by E&Y during its meeting on May 13, 2013.

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, 2013; and the expectation that E&Y will issue an unqualified opinion in connection with their audit of ERCOT’s 2012 financial statements.

Since the Board did not meet in April 2013, but was scheduled to meet on May 14, 2013, ERCOT Staff requested and received waivers for the debt covenant requirements from its lenders that extended the due date from April 30, 2013 to May 31, 2013.

Conclusion/Recommendation:

At its May 13, 2013 meeting, the F&A Committee will consider whether to recommend Board acceptance of the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2012 and 2011.



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, 2012 and 2011 (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 May 14, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of May, 2013.

Vickie G. Leady
Assistant Corporate Secretary