



Date: April 1, 2014
To: Board of Directors
From: Sean Taylor, Controller
Subject: Acceptance of Financial Statement Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 8, 2014

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 (EY) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) on May 14, 2013, to perform the annual audit of ERCOT’s financial books and records.

On April 7, 2014, it is expected that EY will meet with the ERCOT Finance & Audit (F&A) Committee of the ERCOT Board to discuss the proposed audit report for year 2013 and EY’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 EY during its meeting on April 7, 2014.

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, 2014; and
- The expectation that EY will issue an unqualified opinion in connection with its audit of ERCOT’s 2013 financial statements.

Conclusion/Recommendation:

ERCOT staff recommends and the F&A Committee is expected to recommend that the Board accept the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2013 and 2012.



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, 2013 and 2012 (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 8, 2014 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, 2014.

Vickie G. Leady
Assistant Corporate Secretary