



Date: April 12, 2016
To: Board of Directors
From: Jorge Bermudez, Finance and Audit (F&A) Committee Chairman
Subject: Acceptance of Financial Statements Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 19, 2016

Item No.: 9.1

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.” Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) in June 2015, to perform the annual audit of ERCOT’s financial books and records.

On April 18, 2016, it is expected that Baker Tilly will meet with the ERCOT F&A Committee to discuss the proposed audit report for the year ended December 31, 2015 and Baker Tilly’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 unmodified or “clean,” and the ERCOT F&A Committee is expected to recommend ERCOT Board acceptance of the audited financial statements as presented by Baker Tilly during its meeting on April 18, 2016.

Key Factors Influencing Issue:

1. ERCOT’s Bylaws requirement;
2. A debt covenant requirement that audited financial statements are provided to the lenders by April 30, 2016; and
3. The expectation that Baker Tilly will issue an unmodified opinion in connection with its audit of ERCOT’s financial statements for the year ended December 31, 2015.

Conclusion/Recommendation:

ERCOT staff recommends, and the ERCOT 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, 2015 and 2014.



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 Baker Tilly Virchow Krause, LLP Report on Audit of Financial Statements for the Years Ended December 31, 2015 and 2014 (Report); and

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 19, 2016 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, 2016.

Vickie G. Leady
Assistant Corporate Secretary