Date: April 3, 2018
To: Board of Directors
From: Judy Walsh, Finance and Audit (F&A) Committee Chair
Subject: Acceptance of Financial Statements Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 10, 2018
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 April 2017, to perform the annual audit of ERCOT's financial books and records.

On April 9, 2018, 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, 2017 and Baker Tilly's assessment of 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 9, 2018.

Key Factors Influencing Issue:
1. ERCOT's Bylaws requirement;
2. A debt covenant requirement that audited financial statements are provided to lenders by April 30, 2018; 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, 2017.

Conclusion/Recommendation:
ERCOT staff recommends, and the ERCOT F&A Committee is expected to recommend, that the ERCOT Board accept the audited financials and Report on Audit of Financial Statements for the years ended December 31, 2017 and 2016.

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 for the Years Ended December 31, 2017 and 2016 (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 10, 2018 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, 2018.

_____
Vickie G. Leady
Assistant Corporate Secretary