



Item 5.4: Acceptance of Financial Statements Audit Report

Sean Taylor

Vice President and Chief Financial Officer

Urgent Board of Directors Meeting

ERCOT Public

April 14, 2020

Request for Vote

ERCOT staff recommends that the ERCOT Board of Directors accept the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2019 and 2018 as presented in these materials.

<VOTE>





Date: April 2, 2020
To: Board of Directors
From: Sean Taylor, Vice President and Chief Financial Officer
Subject: Acceptance of Financial Statements Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 14, 2020

Item No.: 5.4

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.” Further, the Finance and Audit Committee (Committee) Charter (Charter) provides that “[b]ased on its review and discussions with management, the Chief Audit Executive and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s financial statements audit report should be accepted.” However, the Charter further provides: “The duties and responsibilities are set forth [herein] as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, and by the Company’s Articles of Incorporation and Bylaws.” Pursuant to the Bylaws, the Board retains the ultimate approval authority over this matter. Given the extraordinary circumstances with the current COVID-19 state of emergency, the Board will consider and vote on the acceptance of the Financial Statements Audit Report at its April 14, 2020 Urgent Board Meeting without recommendation from the Committee.

Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) in April 2019, to perform the annual audit of ERCOT’s financial books and records.

Baker Tilly’s proposed audit report for the year ended December 31, 2019 and Baker Tilly’s assessment of internal controls, recommendations, other business items and the draft financial statements are included in the Board materials.

The audit opinion is expected to be unmodified or “clean,” and ERCOT staff recommends ERCOT Board acceptance of the audited financial statements as included in the materials for its Urgent meeting on April 14, 2020.

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, 2020; 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, 2019.

Conclusion/Recommendation:

ERCOT staff recommends that the ERCOT Board accept the audited financials and Report on Audit of Financial Statements for the years ended December 31, 2019 and 2018.



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, 2019 and 2018 (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 14, 2020 urgent 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, 2020.

Vickie G. Leady
Assistant Corporate Secretary