



Item 4: Status of the 2020 Financial Statements Audit

Sean Taylor

Vice President and Chief Financial Officer

Urgent Finance & Audit Committee Meeting

ERCOT Public

April 12, 2021

ERCOT Requirements for Annual Audit of Financial Statements

ERCOT Bylaws Requirement

- Each year, the ERCOT Board must select a qualified public accounting firm (Auditor) to audit the financial statements of ERCOT.

ERCOT Protocol Requirement (§ 1.4.2 in pertinent part)

- “For audits performed by an Appointed Firm, the ERCOT F&A Committee shall directly approve the initiation, scheduling, and reporting of such audits or make recommendations to the ERCOT Board.”

Finance & Audit Committee Charter Requirement

- “Based 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.”

Timing of the 2020 Audited Financial Statements

Typical Process

- Baker Tilly, ERCOT's independent financial statement auditor, would finish most audit work by March.
- ERCOT management and Baker Tilly would present the audit results and draft report to the F&A Committee at the April meeting. After Board acceptance at the April meeting, Baker Tilly would issue the final report in mid-April.

Delay Resulting from the February 2021 Extreme Winter Weather Event

- Because the Texas Governor declared the reform of ERCOT as an emergency item for the current 87th Texas Legislature Regular Session, ERCOT is not able to determine the ultimate impact of any potential regulatory changes to its structure or governance. Therefore, Baker Tilly is unable to issue a report, at this time, on ERCOT's 2020 financial statements.

Resumption of Audit Work

- ERCOT management anticipates resumption of the audit following the conclusion of the legislative session, currently scheduled for May 31, 2021.



Impact of Delayed Audited Financial Statements

Debt Agreement Covenants

- ERCOT's debt agreements contain covenants that require ERCOT to provide audited financial statements to lenders by April 30, 2021.
- ERCOT is in the process of securing waivers to extend the due dates to align with the anticipated issuance of the audit report.

Annual Report Filed with the Public Utility Commission (PUC)

- ERCOT is required to file its audited financial statements with the PUC by April 30, 2021.
- ERCOT has communicated the reason for the delay and will file the audited financial statements when they are available.

IRS Form 990

- The audited financial statements are the basis for ERCOT's IRS Form 990.
- ERCOT will obtain a filing deadline extension to align schedules with the anticipated timing of the audit report.

Insurance Renewals

- The audited financial statements are part of ERCOT's insurance renewal process.
- ERCOT is working with its broker to address any concerns from the delay.

