

**ELECTRIC RELIABILITY
COUNCIL OF TEXAS
401(k) SAVINGS PLAN**

**Financial Statements and
Supplemental Schedule for the
Year Ended December 31, 2008 and
Independent Auditors' Report**

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

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INDEPENDENT AUDITORS' REPORT

To the Plan Administrative Committee and Participants of
Electric Reliability Council of Texas 401(k) Savings Plan:

We were engaged to audit the financial statements and supplemental schedule of the Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") as of December 31, 2008 and 2007 and for the year ended December 31, 2008, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Fidelity Management Trust Company ("Fidelity"), the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that Fidelity holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2008 and 2007, and for the year ended December 31, 2008, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Maxwell Locke & Ritter LLP

August 7, 2009

Affiliated Companies
ML&R PERSONNEL SOLUTIONS LLC
"The Resource for Direct Hire & Project Staffing"

ML&R WEALTH MANAGEMENT LLC*
"A Registered Investment Advisor"
* This firm is not a CPA firm

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments:		
Investment funds	\$ 48,545,445	\$ 59,814,932
Participant loans	<u>1,189,396</u>	<u>1,189,495</u>
Total investments	49,734,841	61,004,427
Employee contributions receivable	-	152,919
Employer contributions receivable	<u>-</u>	<u>282,633</u>
Net assets available for plan benefits at fair value	49,734,841	61,439,979
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>211,298</u>	<u>21,605</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u><u>\$ 49,946,139</u></u>	<u><u>\$ 61,461,584</u></u>

See notes to financial statements.

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS YEAR ENDED DECEMBER 31, 2008

REDUCTIONS IN NET ASSETS ATTRIBUTED TO:

Contributions:

Participant	\$ 4,500,767
Employer, net of forfeitures	7,438,216
Rollover	217,921
Total contributions	<u>12,156,904</u>

Investment gain (loss):

Interest and dividend income	2,410,641
Net depreciation in fair value of investments	<u>(22,725,104)</u>
Total investment loss	<u>(20,314,463)</u>
Total reductions	<u>(8,157,559)</u>

DEDUCTIONS IN NET ASSETS ATTRIBUTED TO:

Benefits paid to participants	3,347,766
Administrative expenses	<u>10,120</u>
Total deductions	<u>3,357,886</u>

NET DECREASE IN NET ASSETS AVAILABLE FOR PLAN BENEFITS (11,515,445)

NET ASSETS AVAILABLE FOR PLAN BENEFITS:

Beginning of year	<u>61,461,584</u>
End of year	<u><u>\$ 49,946,139</u></u>

See notes to financial statements.

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF PLAN

The following brief description of the Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

General - The Plan is a defined contribution plan covering substantially all employees of Electric Reliability Council of Texas ("ERCOT"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The trustee of the Plan is Fidelity Management Trust Company ("Fidelity" or the "Trustee"). ERCOT acts as the administrator of the Plan.

Eligibility - Employees are eligible to participate in the Plan on the first day of the month following the attainment of age twenty-one. Leased employees and residents of Puerto Rico are not eligible to participate in the Plan.

Contributions - A participant may authorize ERCOT to withhold up to 99% of his or her eligible compensation on a pre-tax basis, not to exceed the annual limit established by the Internal Revenue Code ("IRC"). Effective July 31, 2008, participants newly eligible to enter the Plan are automatically enrolled in the Plan with a contribution equal to 3% of their eligible compensation. Participants may also rollover amounts representing distributions from other qualified defined benefit or contribution plans.

ERCOT makes a matching contribution of 75% of the participant's contribution not to exceed 6% of the participant's base compensation. ERCOT may make discretionary contributions to the Plan each year. No discretionary contributions were made by ERCOT in 2008. ERCOT makes a fixed non-elective employer contribution of 10% of eligible compensation as defined in the Plan.

Participants direct the investment of contributions into various investment options offered by the Plan.

Participant Accounts - Each participant's account is credited with the participant's contribution and an allocation of (a) ERCOT's contribution and (b) plan earnings and may be charged with an allocation of Plan expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting - Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in ERCOT's matching contributions is based on years of continuous service over five years in 20% increments starting after one year of continuous service. Vesting in the fixed non-elective employer contributions are 100% vested after three years of service.

Payment of Benefits - Upon death, disability, retirement, or termination of employment, a participant may elect (1) to continue investment of the value of the vested portion of his or her account under the terms of the Plan; (2) to purchase a guaranteed annuity through a group annuity contract; or (3) to receive the vested portion in a lump-sum amount. For terminated participants' account balances that are less than \$1,000, the plan administrator may distribute the entire amount in a lump sum without the participant's consent. For terminated participants' account balances that are at least \$1,000 but less than \$5,000, the plan administrator may transfer the entire amount into an individual retirement account without the participant's consent.

Forfeitures - Forfeitures by participants of unvested ERCOT contributions are used to reduce employer contributions. Forfeitures totaling approximately \$351,000 were utilized to reduce ERCOT's contributions for the year ended December 31, 2008. At December 31, 2008 and 2007, forfeitures available for use by the ERCOT were approximately \$67,800 and \$45,800, respectively.

Federal Income Tax Status - ERCOT had not applied for a determination letter from the Internal Revenue Service ("IRS") to determine if the Plan and related trust were designed in accordance with applicable sections of the IRC. The Plan document was based upon a prototype plan instrument from Fidelity Institutional Retirement Services which received an IRS prototype letter dated October 9, 2003. The prototype plan instrument was updated for legislative and regulatory changes. The plan administrator believes that the Plan is designed and operated in compliance with the applicable provisions of the IRC. Therefore, no provision for income taxes was included in the Plan's financial statements.

Administrative Expenses - Certain administrative expenses of the Plan are paid by the Plan. For the year ended December 31, 2008, the Plan paid \$10,120 in administrative expenses.

Participant Loans - Participants may borrow from their accounts a minimum of \$1,000 up to a maximum of \$50,000 or 50% of their vested account balance, whichever is less. Participant loans are secured by the balance in the participant's account and bear interest at a reasonable interest rate as determined by ERCOT. Participants may have up to two loans outstanding at a time and may only apply for one loan each Plan year. Principal and interest is paid ratably through payroll deductions over a period generally not to exceed five years.

Plan Termination - Although it has not expressed any intent to do so, ERCOT has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts and distributions will be made as soon as administratively practicable after the Plan terminates.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Plan's financial statements are reported on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for plan benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statement of net assets available for plan benefits presents the fair value of the investment contract as well as the adjustments of the fully benefit-responsive investment contract from fair value to contract value. The statement of changes in net assets available for plan benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Security Transactions - Purchases and sales are accounted for on the trade date.

Risks and Uncertainties - Financial instruments which potentially subject the Plan to concentrations of credit risk consist primarily of investment securities in which the Plan invests. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

3. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Plan adopted Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements (as amended)*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds - Valued at the net asset value ("NAV") of shares held by the Plan at year-end.

Participant loans - Valued at amortized cost, which approximates fair value.

Common collective trust - Value is calculated based on the contract value which is based on the provisions of the contract.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008.

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Mutual funds	\$ 40,840,434	\$ -	\$ -	\$ 40,840,434
Common collective trust	-	7,705,012	-	7,705,012
Participant loans	-	1,189,396	-	1,189,396
Total assets at fair value	<u>\$ 40,840,434</u>	<u>\$ 8,894,408</u>	<u>\$ -</u>	<u>\$ 49,734,842</u>

4. INFORMATION CERTIFIED BY THE TRUSTEE

Unaudited information regarding the Plan's investment assets at December 31, 2008 and 2007, and the related investment income for the year ended December 31, 2008, was summarized from information prepared by the Trustee of the Plan. The plan administrator has obtained a certification from the Trustee that such information is complete and accurate.

The following table presents the values of investments at December 31, 2008 and 2007. Individual investments that represent 5% or more of the Plan's net assets at December 31, 2008 and 2007 are separately identified.

	2008	2007
Fidelity Advisor Stable Value Portfolio II	\$ 7,916,310	\$ 5,434,394
Fidelity Advisor Gov Income Inst	4,268,873	*
Heartland Select Value	3,818,013	5,586,869
Fidelity Advisor New Insights I	3,817,357	*
Dreyfus S&P 500 Index Fund	3,326,965	4,631,911
Fidelity Advisor Strat Income I	2,663,190	*
Fidelity Advisor New Insights Fund A	*	5,664,919
Victory Diversified Stock A	*	4,232,433
Oppenheimer Developing Markets A	*	3,510,619
Fidelity Advisor Diversified International Fund A	*	3,475,425
Fidelity Advisor Mid Cap II Fund A	*	3,426,898
Other investments	23,924,133	25,040,959
Total investments managed by Trustee	<u>\$ 49,734,841</u>	<u>\$ 61,004,427</u>

*This investment was either not in the Plan or was less than 5% or more of the Plan's net assets at December 31, 2008 or 2007.

During the Plan year ended December 31, 2008, the Plan's investments at fair value (including gains and losses on investments bought, sold, and held during the year) depreciated in value by \$22,725,104 and the Plan earned interest and dividend income of \$2,410,641.

5. RECONCILIATION TO THE FORM 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Form 5500 as of December 31, 2008 and 2007:

	2008	2007
Net assets available for plan benefits per the financial statements	\$ 49,946,139	\$ 61,461,584
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>(211,298)</u>	<u>(21,605)</u>
Net assets available for plan benefits per the Form 5500	<u>\$ 49,734,842</u>	<u>\$ 61,439,979</u>

The following is a reconciliation of the net decrease in net assets available for plan benefits per the financial statement to the Form 5500 for the year ended December 31, 2008:

Net decrease in net assets available for plan benefits per the financial statements	\$ 11,515,445
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2008	211,298
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2007	<u>21,605</u>
Net decrease in net assets available for plan benefits per the Form 5500	<u>\$ 11,705,137</u>

6. PARTY-IN-INTEREST TRANSACTIONS

Certain investments are a common collective trust and mutual funds held by the Trustee. Transactions such as these qualify as party-in-interest transactions.

SUPPLEMENTAL SCHEDULE

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR DECEMBER 31, 2008

EMPLOYER IDENTIFICATION NUMBER - 74-2843094
PLAN NUMBER - 001

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
*	Fidelity Management Trust Company	Fidelity Advisor Stable Value Portfolio II	Note 1	\$ 7,916,310
*	Fidelity Management Trust Company	Fidelity Advisor Gov Income Inst	Note 1	4,268,873
	Heartland Funds	Heartland Select Value	Note 1	3,818,013
*	Fidelity Management Trust Company	Fidelity Advisor New Insights I	Note 1	3,817,357
	BNY Mellon Asset Management	Dreyfus S&P 500 Index Fund	Note 1	3,326,965
*	Fidelity Management Trust Company	Fidelity Advisor Strat Income I	Note 1	2,663,190
	The Hartford Mutual Funds	Hartford Capital Appr R5	Note 1	2,299,340
	Oppenheimer Funds	Oppenheimer Developing Markets Y	Note 1	2,268,945
*	Fidelity Management Trust Company	Fidelity Advisor Mid Cap II I	Note 1	2,166,281
	Thornburg International Value	Thornburg Int Val 5	Note 1	2,127,450
*	Fidelity Management Trust Company	Fidelity Advisor Small Cap Fund I	Note 1	1,805,142
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2020 I	Note 1	1,742,641
	Marisco Capital Management	Columbia Marsico Growth Fund Z	Note 1	1,611,068
	New York Life	Mainstay High Yield Bond I	Note 1	1,595,172
*	Fidelity Management Trust Company	Fidelity Advisor Lev Co Stock I	Note 1	1,493,809
	BlackRock Mutual Funds	BlackRock Equity Div I	Note 1	983,257
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2025 I	Note 1	788,272
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2040 I	Note 1	744,719
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2030 I	Note 1	612,337
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2035 I	Note 1	598,646
	Alliance Bernstein	Alliance Bernstein International Value A	Note 1	523,898
	Heartland Funds	Heartland Value Inst	Note 1	402,822
*	Fidelity Management Trust Company	Fidelity Advisor Equity Income I	Note 1	317,247
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2015 I	Note 1	222,640
*	Fidelity Management Trust Company	Fidelity Advisor Large Cap I	Note 1	174,932
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2045 I	Note 1	172,736
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2050 I	Note 1	147,600
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2010 I	Note 1	46,197
	BlackRock Mutual Funds	BlackRock Small Cap Growth Equity I	Note 1	38,585
*	Fidelity Management Trust Company	Fidelity Advisor Freedom 2005 I	Note 1	31,340
	JP Morgan Mutual Funds	JPM International Equity Index Sel	Note 1	24,858
*	Fidelity Management Trust Company	Fidelity Advisor Freedom Inc I	Note 1	6,101
	Participant Loans	3.07% - 9.25% interest rates, various maturities through 2018, secured by vested balances	- 0 -	1,189,396

Note 1: As investments are directed by participants, cost information has been omitted as allowed by schedule instructions.

“*” - Denotes a party-in-interest as defined by ERISA.