



Date: August 5, 2014
To: Board of Directors
From: Chuck Manning, ERCOT Vice President and Chief Compliance Officer
Subject: Acceptance of 2013 ERCOT 401(k) Savings Plan Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 12, 2014

Item No.: 10.1

Issue:

Acceptance of the audited financial statements of Electric Reliability Council of Texas, Inc.'s (ERCOT's) 401(k) Savings Plan (401(k) Plan), as of December 31, 2013.

Background/History:

Internal Revenue Service (IRS) rules and regulations require an annual financial statement audit of the benefit plans such as ERCOT's 401(k) Plan.

ERCOT has engaged the firm of Maxwell, Locke & Ritter, LLP, to complete audits of the 401(k) Plan financial statements for 2012, 2013 and 2014.

It is expected that on August 11, 2014, representatives of Maxwell, Locke & Ritter LLP will meet with the Finance and Audit (F&A) Committee of the Board to discuss the proposed final audit report for the ERCOT 401(k) Plan, as of December 31, 2013.

The F&A Committee is expected to recommend that the Board accept the 2013 audited financial statements for the ERCOT 401(k) Plan, as of December 31, 2013, as prepared by Maxwell, Locke & Ritter LLP, during its meeting.

A draft of the final audit report for the ERCOT 401(k) Plan, as of December 31, 2013, prepared by Maxwell, Locke & Ritter, LLP, and submitted for the Board's acceptance is attached hereto as Exhibit A.

Key Factors Influencing Issue:

- The IRS reporting requirements and filing requirements for the annual IRS Form 5500 for ERCOT's 401(k) Plan. The 401(k) Plan's books and records must be audited by an independent auditor, and a copy of the audit report supplied with Form 5500. The 2013 filing is due no later than October 15, 2014.
- The draft report attached hereto reflects no findings indicating material issues with the administration of the 401(k) Plan, and the expectation that the F&A Committee will recommend approval of same.
- The expectation that Maxwell, Locke & Ritter, LLP, will issue a final opinion consistent with the draft version attached hereto as Exhibit A.



Conclusion/Recommendation:

The F&A Committee is expected to review the final audited statements for ERCOT's 401(k) Plan prepared by Maxwell, Locke & Ritter, LLP, as of December 31, 2013, at its meeting on August 11, 2014, and is expected to recommended that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2013, as presented in draft form by Maxwell, Locke & Ritter, LLP, attached hereto as Exhibit A.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) provided a 401(k) Savings Plan [the 401(k) Plan] as a benefit for its eligible employees during the fiscal year 2013;

WHEREAS, the Internal Revenue Service rules and regulations also require an annual financial statement audit of benefits plans such as the 401(k) Plan;

WHEREAS, Maxwell, Locke & Ritter, LLP, who was engaged by ERCOT for such audit in April 2014, has issued an opinion acceptable to this Board in connection with its audit of ERCOT's 2013 financial statement for the 401(k) Plan;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee has considered and recommended that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2013, as presented by Maxwell, Locke & Ritter, LLP, at its meeting of August 11, 2014; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee's recommendation to accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2013, as presented by Maxwell, Locke & Ritter, LLP;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby accepts the audited financial statements for ERCOT's 401(k) Plan, as of December 31, 2013, as presented by Maxwell, Locke & Ritter, LLP.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 12, 2014 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of August, 2014.

Vickie G. Leady
Assistant Corporate Secretary

EXHIBIT A

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

**Financial Statements and
Supplemental Schedule
as of and for the Year Ended
December 31, 2013 and
Independent Auditors' Report**

DRAFT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") 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, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2013 and 2012, and for the year ended December 31, 2013, that the information provided to the Plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

The supplemental schedule, Schedule of Assets Held at End of Year, as of December 31, 2013 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Austin, Texas
July xx, 2014

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS:		
Investment funds	\$ 143,503,760	\$ 111,657,793
Notes receivable from participants	<u>2,847,669</u>	<u>2,561,749</u>
Net assets reflecting investments at fair value	146,351,429	114,219,542
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>(92,400)</u>	<u>(336,454)</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 146,259,029</u></u>	<u><u>\$ 113,883,088</u></u>

See notes to financial statements.

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED DECEMBER 31, 2013

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Contributions:

Employer, net of forfeitures	\$ 8,402,334
Participant	5,357,733
Rollover	1,183,629

Total contributions	<u>14,943,696</u>
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Investment gain:

Net appreciation in fair value of investments	18,862,584
Interest and dividend income	4,973,375

Total investment gain, net	<u>23,835,959</u>
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Interest income on notes receivable from participants	111,195
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Other income	<u>47,633</u>
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Total additions	<u>38,938,483</u>
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DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants	6,544,616
Administrative expenses, net	17,926

Total deductions	<u>6,562,542</u>
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NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	32,375,941
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NET ASSETS AVAILABLE FOR BENEFITS:

Beginning of year	<u>113,883,088</u>
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End of year	<u><u>\$ 146,259,029</u></u>
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See notes to financial statements.

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF PLAN

The following brief description of 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 (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 their date of employment. Leased employees and residents of Puerto Rico are not eligible to participate in the Plan.

Contributions - Eligible employees have the option to contribute either pre-tax or Roth 401(k) contributions. A participant's contribution may not exceed 99% of his or her eligible compensation, not to exceed the annual limit established by the Internal Revenue Code ("IRC"). Newly eligible employees are automatically enrolled in the Plan with a pre-tax deferral percentage of 3%, thirty days following their employment dates, unless the employee elects otherwise. A participant's pre-tax and Roth 401(k) contributions will be separately accounted for, as will the gains and losses attributable to each. Participants will have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also rollover amounts representing distributions from other qualified defined benefit or contribution plans.

ERCOT makes a matching contribution of 75% of each participant's contribution not to exceed 6% of the defined compensation. Additionally, ERCOT makes a fixed non-elective employer contribution of 10% of each participant's eligible compensation, as defined. ERCOT may also make annual discretionary contributions to the Plan, although none were made in 2013.

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 contributions, ERCOT's contributions and an allocation of Plan earnings, and may be charged with Plan expenses if applicable. Allocations are based on participant earnings, account balances or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Notes Receivable from Participants - Participants may borrow from their accounts a minimum of \$1,000 and up to a maximum of \$50,000 less the highest outstanding notes receivable balance over the prior twelve months or 50% of their vested account balance, whichever is less. Participant notes receivable 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 notes receivable outstanding at a time. Notes receivable repayments are automatically deducted through after-tax payroll deductions over a period generally not to exceed five years.

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, which increases in 20% increments starting after one year of continuous service. The fixed non-elective employer contributions are 100% vested after three years of service. Participants may also become fully vested upon attainment of normal retirement age or upon termination of employment due to disability or death.

Payment of Benefits - Upon death, disability, retirement, or termination of employment, a participant may elect to purchase a guaranteed annuity through a group annuity contract or to receive the vested benefits in a lump sum. The Plan administrator may distribute terminated participants' account balances that are less than \$1,000 in a lump sum without the participants' consent. The Plan administrator may transfer terminated participants' account balances that are at least \$1,000 but less than \$5,000 into an individual retirement account without the participants' consent. In-service distributions of rollover balances may be made with no restrictions. In-service distributions for reasons of hardship or the attainment of age 59.5 are also permitted from a participant's employee deferral account, although hardship distributions will result in a six-month suspension during which no contributions may be made to the participant's account.

Forfeitures - Forfeitures by participants of unvested ERCOT contributions are used to reduce employer contributions. Forfeitures totaling \$564,425 were utilized to reduce ERCOT's contributions for the year ended December 31, 2013. At December 31, 2013 and 2012, forfeitures available for use by ERCOT were \$44,156 and \$33,785, respectively.

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 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 Plan invests in investment contracts through a common collective trust fund. The statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

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

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 appreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the Plan year.

Notes Receivable from Participants - Notes receivable from participants are measured at the unpaid principal balance plus any accrued but unpaid interest. No allowance for credit losses has been recorded at December 31, 2013 or 2012. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the Plan document.

Benefits Paid to Participants - Benefits are recorded when paid.

Expenses - Certain expenses of maintaining the Plan are paid directly by ERCOT and are excluded from the financial statements. Recordkeeping fees and fees related to the administration of notes receivable from participants are charged directly to the participant’s account and are included in administrative expenses. Investment related expenses are included in net appreciation in fair value of investments.

The Company participates in a revenue sharing agreement with the Trustee and the related Plan earnings are deposited in an unallocated funds account. Unallocated funds may be used to pay administrative expenses on a quarterly basis or ERCOT may elect to re-allocate the remaining funds to the Plan’s participants on an annual basis. During the year ended December 31, 2013, the Company used \$66,709, from the unallocated funds account to pay certain recordkeeping fees incurred by the Plan. The balance in the unallocated funds account totaled \$47,633 at December 31, 2013. There was no balance in the unallocated funds account at December 31, 2012.

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 values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the statements of net assets available for benefits.

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.

Subsequent Events - ERCOT has evaluated subsequent events through July xx, 2014, the date the financial statements were available to be issued, and no events have occurred through that date that would impact the financial statements.

3. FAIR VALUE MEASUREMENTS

The Plan follows a framework for measuring fair value, which 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) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy 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 maximize the use of observable inputs and minimize the use of unobservable inputs. There are three general valuation techniques that may be used to measure fair value: i) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities; ii) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost); and iii) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds are registered with the Securities and Exchange Commission and are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. Units of the common collective trust fund (Wells Fargo Stable Return Fund Class C) are stated at their NAV or equivalent as a practical expedient for fair value. The NAV of the common collective trust fund is based on the fair value of the underlying investments held by the fund less its liabilities, with fair value determined by the issuer based on independent pricing services.

The common collective trust fund (the “Fund”) invests in financial instruments that seek to provide participants a stable crediting rate and security of principal plus accrued interest. The financial instruments include guaranteed investment contracts (“GICs”), security backed contracts, and separate account GICs. Underlying the security backed contracts and separate account GICs are fixed income portfolios. The fixed income portfolios may include investments in, but are not limited to, U.S. Treasury and agency bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and bond funds. Bonds in the underlying portfolios are rated investment grade by independent pricing services at time of purchase. The Fund also may invest in cash or cash equivalents. There are no significant restrictions on redemptions; participants may redeem their funds daily. The Wells Fargo Stable Return Fund Class C has no unfunded commitments and there have been no changes in the valuation methodologies used at December 31, 2013 or 2012.

The preceding method described for valuation of the Fund 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 method is 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 investment assets at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Mutual funds:				
Growth	\$ 73,318,133	\$ -	\$ -	\$ 73,318,133
Blended Value	29,061,769	-	-	29,061,769
Intermediate term bonds	16,035,333	-	-	16,035,333
Fixed income	6,180,283	-	-	6,180,283
Money market	4,296,168	-	-	4,296,168
World fund	2,953,682	-	-	2,953,682
Common collective trust fund- Fixed income	15,973	-	-	15,973
	-	11,642,419	-	11,642,419
	<u>\$ 131,861,341</u>	<u>\$ 11,642,419</u>	<u>\$ -</u>	<u>\$ 143,503,760</u>

The following table sets forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds:				
Growth	\$ 54,466,829	\$ -	\$ -	\$ 54,466,829
Blended	19,614,031	-	-	19,614,031
Value	11,404,204	-	-	11,404,204
Intermediate term				
bonds	7,270,710	-	-	7,270,710
Fixed income	4,955,476	-	-	4,955,476
Money market	2,000,957	-	-	2,000,957
World fund	7,285	-	-	7,285
Common collective				
trust fund-				
Fixed income	-	11,938,301	-	11,938,301
	<u>\$ 99,719,492</u>	<u>\$ 11,938,301</u>	<u>\$ -</u>	<u>\$ 111,657,793</u>

4. INFORMATION CERTIFIED BY THE TRUSTEE

All information disclosed in the accompanying financial statements, notes and supplemental schedule related to the Plan's investment assets and notes receivable from participants at December 31, 2013 and 2012, and the related net investment gain and interest income for the year ended December 31, 2013, was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by the Trustee.

5. INVESTMENTS

Individual investments that represented 5% or more of the Plan's net assets at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Fidelity Contrafund	\$ 15,346,429	\$ 10,440,769
Vanguard Institutional Index Fund	14,939,191	10,670,985
Wells Fargo Stable Return Fund Class C	11,642,419	11,938,301
Prudential Jennison Mid Cap Growth Fund	10,481,570	7,429,702
Heartland Select Value IS	9,895,903	6,598,815
ABF/S Small Cap Growth Fund Institutional Class	8,169,826	*
Oppenheimer Developing Markets Y	8,160,204	9,332,347
Vanguard Total Bond Market Index Fund	*	7,182,795

* This investment represented less than 5% of the Plan's net assets at December 31, 2013 or was not available at December 31, 2012.

The net appreciation in fair value of investments (including gains and losses on investments bought, sold, and held during the Plan year) was \$18,862,584 for the year ended December 31, 2013, as noted below.

Mutual funds	\$ 18,704,119
Common collective trust	<u>158,465</u>
Total	<u><u>\$ 18,862,584</u></u>

6. TAX STATUS

ERCOT has not applied for a determination letter from the Internal Revenue Service (“IRS”) to determine if the Plan is designed in accordance with applicable sections of the IRC. The Plan document is based upon a volume submitter plan instrument from Fidelity Management & Research Company which received an IRS advisory letter dated March 31, 2008. The volume submitter plan instrument has been updated for legislative and regulatory changes. ERCOT’s Benefits Committee and Plan administrator believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC. Therefore, no provision for income taxes has been included in the Plan’s financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

7. RECONCILIATION TO THE FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net assets available for benefits per the financial statements	\$ 146,259,029	\$ 113,883,088
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<u>92,400</u>	<u>336,454</u>
Net assets available for benefits per the Form 5500	<u><u>\$ 146,351,429</u></u>	<u><u>\$ 114,219,542</u></u>

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2013:

Net increase in net assets available for benefits per the financial statements	\$ 32,375,941
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2013	92,400
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2012	<u>(336,454)</u>
Net increase in net assets available for benefits per the Form 5500	<u>\$ 32,131,887</u>

8. PARTY-IN-INTEREST AND RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds that are managed by the Trustee or its affiliates. Fees incurred by the Plan for related investment management services are included in net appreciation in fair value of investments and administrative expenses. Transactions such as these qualify as party-in-interest transactions. ERCOT pays directly certain other fees related to the Plan's operations.

SUPPLEMENTAL SCHEDULE

DRAFT

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD AT END OF YEAR DECEMBER 31, 2013

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 Contrafund	Mutual fund	Note 1	\$ 15,346,429
	Vanguard Institutional Index Fund	Mutual fund	Note 1	14,939,191
	Wells Fargo Stable Return Fund Class C	Common collective trust fund	Note 1	11,642,419
	Prudential Jennison Mid Cap Growth Fund	Mutual fund	Note 1	10,481,570
	Heartland Select Value IS	Mutual fund	Note 1	9,895,903
	ABF/S Small Cap Growth Fund Institutional Class	Mutual Fund	Note 1	8,169,826
	Oppenheimer Developing Markets Y	Mutual fund	Note 1	8,160,204
	Vanguard Total Bond Market Index Fund	Mutual fund	Note 1	6,118,680
	BlackRock Equity Dividend Instl	Mutual fund	Note 1	5,967,066
	Thornburg Int Value 5	Mutual fund	Note 1	5,817,941
	T. Rowe Price Retirement 2040 Fund	Mutual fund	Note 1	5,347,353
*	Spartan Extended Market Index Fund	Mutual fund	Note 1	5,211,684
	T. Rowe Price Small Cap Value SHS	Mutual fund	Note 1	5,159,553
*	Fidelity Government Income Fund	Mutual fund	Note 1	4,296,168
	T. Rowe Price Retirement 2035 Fund	Mutual fund	Note 1	4,010,507
	T. Rowe Price Retirement 2020 Fund	Mutual fund	Note 1	3,912,218
	T. Rowe Price Retirement 2030 Fund	Mutual fund	Note 1	3,324,731
	T. Rowe Price Retirement 2025 Fund	Mutual fund	Note 1	2,978,324
*	Brokerage Link	Self-directed investments	Note 1	2,737,963
	T. Rowe Price Retirement 2045 Fund	Mutual fund	Note 1	2,463,708
*	Fidelity Retirement Government Money Market	Mutual fund	Note 1	2,399,752
	T. Rowe Price Retirement 2050 Fund	Mutual fund	Note 1	2,292,294
	Vanguard Developed Markets Index	Mutual fund	Note 1	1,199,260
	T. Rowe Price Retirement 2015 Fund	Mutual fund	Note 1	1,020,916
	T. Rowe Price Retirement 2010 Fund	Mutual fund	Note 1	379,442
	T. Rowe Price Retirement Income	Mutual fund	Note 1	205,756
	T. Rowe Price Retirement 2005 Fund	Mutual fund	Note 1	24,902
*	Participant Loans	Interest Rate: Lowest 4.25%, Highest 9.25%	- 0 -	2,847,669

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.