

\*\*\* Form 990 Online Filers: Please fax completed and signed form to 866-699-3916

Form **8453-EO**

**Exempt Organization Declaration and Signature for Electronic Filing**

OMB No. 1545-1879

For calendar year 2010, or tax year beginning 01/01, 2010, and ending 12/31, 20 10

**2010**

Department of the Treasury  
Internal Revenue Service

For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868

▶ See instructions on back.

Name of exempt organization

**ELECTRIC RELIABILITY COUNCIL OF TEXAS INC**

Employer identification number

**74-2587416**

**Part I Type of Return and Return Information (Whole Dollars Only)**

Check the box for the type of return being filed with Form 8453-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line of the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). If you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than one line in Part I.

1a	Form 990 check here ▶	<input checked="" type="checkbox"/>	b	Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b	<u>272,475,668</u>
2a	Form 990-EZ check here ▶	<input type="checkbox"/>	b	Total revenue, if any (Form 990-EZ, line 9)	2b	
3a	Form 1120-POL check here ▶	<input type="checkbox"/>	b	Total tax (Form 1120-POL, line 22)	3b	
4a	Form 990-PF check here ▶	<input type="checkbox"/>	b	Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	
5a	Form 8868 check here ▶	<input type="checkbox"/>	b	Balance due (Form 8868, Part I, line 3c or Part II, line 8c)	5b	

**Part II Declaration of Officer**

- 6  I authorize the U.S. Treasury and its designated Financial Agent to initiate an Automated Clearing House (ACH) electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.
- If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2010 electronic return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund.

Sign Here ▶ H. B. Doggett | 10 Aug 2011 ▶ HB Doggett, President and CEO  
Signature of officer Date Title

**Part III Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)**

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

<b>ERO's Use Only</b>	ERO's signature ▶	Date	Check if also paid preparer <input type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code ▶				EIN Phone no.

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Angela Moore	<u>Angela Moore</u>	08/12/11		
	Firm's name ▶ Ernst & Young US LLP	Firm's address ▶ 111 Monument Circle, Suite 2600, Indianapolis, IN 46204		Firm's EIN ▶ 34-6565596	Phone no. 317-681-7000

# Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

# 2010

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

**A** For the 2010 calendar year, or tax year beginning 01/01, 2010, and ending 12/31, 20 10

**B** Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Terminated  
 Amended return  
 Application pending

**C** Name of organization ELECTRIC RELIABILITY COUNCIL OF TEXAS INC  
 Doing Business As ERCOT  
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
7620 Metro Center Drive  
 City or town, state or country, and ZIP + 4  
Austin, TX 78744-1613

**D** Employer identification number  
74-2587416

**E** Telephone number  
512-225-7000

**F** Name and address of principal officer: HB Doggett  
7620 Metro Center Drive, Austin, TX 78744-1613

**G** Gross receipts \$ 272,510,154

**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** Are all affiliates included?  Yes  No  
 If "No," attach a list. (see instructions)

**H(c)** Group exemption number ▶

**I** Tax-exempt status:  501(c)(3)  501(c) ( 4 ) ◀ (insert no.)  4947(a)(1) or  527

**J** Website: ▶ www.ercot.com

**K** Form of organization:  Corporation  Trust  Association  Other ▶

**L** Year of formation: 1990 **M** State of legal domicile: TX

### Part I Summary

Activities & Governance	<b>1</b>	Briefly describe the organization's mission or most significant activities: <u>See Schedule O</u>		
	<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	<b>15</b>
	<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	<b>12</b>
	<b>5</b>	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	<b>5</b>	<b>783</b>
	<b>6</b>	Total number of volunteers (estimate if necessary)	<b>6</b>	<b>16</b>
	<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	<b>0</b>
<b>b</b>	Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	<b>0</b>	
Revenue	<b>8</b>	Contributions and grants (Part VIII, line 1h)	Prior Year <b>49,850,905</b>	Current Year <b>49,312,915</b>
	<b>9</b>	Program service revenue (Part VIII, line 2g)	<b>141,272,898</b>	<b>219,542,751</b>
	<b>10</b>	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<b>3,498,131</b>	<b>-15,068</b>
	<b>11</b>	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	<b>12,283,313</b>	<b>3,635,070</b>
	<b>12</b>	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<b>206,905,247</b>	<b>272,475,668</b>
Expenses	<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	<b>0</b>	<b>0</b>
	<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4)	<b>0</b>	<b>0</b>
	<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	<b>56,661,323</b>	<b>54,949,257</b>
	<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e)	<b>0</b>	<b>0</b>
	<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) ▶ <u>0</u>		
	<b>17</b>	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	<b>121,530,670</b>	<b>198,466,798</b>
<b>18</b>	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	<b>178,191,993</b>	<b>253,416,055</b>	
<b>19</b>	Revenue less expenses. Subtract line 18 from line 12	<b>28,713,254</b>	<b>19,059,613</b>	
Net Assets or Fund Balances	<b>20</b>	Total assets (Part X, line 16)	Beginning of Current Year <b>667,632,082</b>	End of Year <b>818,439,371</b>
	<b>21</b>	Total liabilities (Part X, line 26)	<b>652,642,351</b>	<b>782,566,088</b>
	<b>22</b>	Net assets or fund balances. Subtract line 21 from line 20	<b>14,989,731</b>	<b>35,873,283</b>

### Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature of officer: HB Doggett, President and CEO Date: \_\_\_\_\_  
 Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name: \_\_\_\_\_ Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check  if self-employed PTIN: \_\_\_\_\_  
 Firm's name: \_\_\_\_\_ Firm's EIN: \_\_\_\_\_  
 Firm's address: \_\_\_\_\_ Phone no.: \_\_\_\_\_

May the IRS discuss this return with the preparer shown above? (see instructions)  Yes  No

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III  Yes  No

**1** Briefly describe the organization's mission:

See Schedule O

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No

If "Yes," describe these new services on Schedule O.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No

If "Yes," describe these changes on Schedule O.

**4** Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code: \_\_\_\_\_) (Expenses \$ 211,992,971 including grants of \$ 0) (Revenue \$ 219,750,159)

ERCOT successfully manages the flow of electricity to approximately 23 million customers in the State of Texas which includes the management of financial settlement for the competitive wholesale bulk-power market and the administration of electric provider account switching in competitive choice areas.

**4b** (Code: \_\_\_\_\_) (Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_) (Revenue \$ \_\_\_\_\_)

**4c** (Code: \_\_\_\_\_) (Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_) (Revenue \$ \_\_\_\_\_)

**4d** Other program services. (Describe in Schedule O.)  
(Expenses \$ 0 including grants of \$ 0) (Revenue \$ 0)

**4e** Total program service expenses **▶** 211,992,971

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A . . . . .</i>		✓
<b>2</b> Is the organization required to complete Schedule B, Schedule of Contributors? (see instructions) . . . . .		✓
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I . . . . .</i>		✓
<b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II . . . . .</i>		
<b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III . . . . .</i>		✓
<b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I . . . . .</i>		✓
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II . . . . .</i>		✓
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III . . . . .</i>		✓
<b>9</b> Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV . . . . .</i>	✓	
<b>10</b> Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V . . . . .</i>		✓
<b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI . . . . .</i>	✓	
<b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII . . . . .</i>		✓
<b>c</b> Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII . . . . .</i>		✓
<b>d</b> Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX . . . . .</i>		✓
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X . . . . .</i>	✓	
<b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X . . . . .</i>		✓
<b>12 a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII . . . . .</i>	✓	
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional . . . . .</i>		✓
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E . . . . .</i>		✓
<b>14 a</b> Did the organization maintain an office, employees, or agents outside of the United States? . . . . .		✓
<b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV . . . . .</i>		✓
<b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV . . . . .</i>		✓
<b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV . . . . .</i>		✓
<b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions) . . . . .</i>		✓
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II . . . . .</i>		✓
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III . . . . .</i>		✓
<b>20 a</b> Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H . . . . .</i>		✓
<b>b</b> If "Yes" to line 20a, did the organization attach its audited financial statements to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)		✓

**Part IV Checklist of Required Schedules** *(continued)*

	Yes	No
<b>21</b> Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .		<input checked="" type="checkbox"/>
<b>22</b> Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .		<input checked="" type="checkbox"/>
<b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	<input checked="" type="checkbox"/>	
<b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .		<input checked="" type="checkbox"/>
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .		
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .		
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .		
<b>25a</b> <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .		<input checked="" type="checkbox"/>
<b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .		<input checked="" type="checkbox"/>
<b>26</b> Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .		<input checked="" type="checkbox"/>
<b>27</b> Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .		<input checked="" type="checkbox"/>
<b>28</b> Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
<b>a</b> A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		<input checked="" type="checkbox"/>
<b>b</b> A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		<input checked="" type="checkbox"/>
<b>c</b> An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<input checked="" type="checkbox"/>	
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .		<input checked="" type="checkbox"/>
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .		<input checked="" type="checkbox"/>
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .		<input checked="" type="checkbox"/>
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .		<input checked="" type="checkbox"/>
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .		<input checked="" type="checkbox"/>
<b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .		<input checked="" type="checkbox"/>
<b>35</b> Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . . . .		<input checked="" type="checkbox"/>
<b>a</b> Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>		
<b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .		
<b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .		<input checked="" type="checkbox"/>
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<input checked="" type="checkbox"/>	

**Part V** **Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V

		Yes	No		
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable . . . . .	<b>1a</b>	132		
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable . . . . .	<b>1b</b>	0		
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . .	<b>1c</b>	✓		
<b>2a</b>	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return . . . . .	<b>2a</b>	783		
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? . . . . . <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file. (see instructions)	<b>2b</b>	✓		
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year? . . . . .	<b>3a</b>		✓	
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . . . . .	<b>3b</b>			
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? . . . . .	<b>4a</b>		✓	
<b>b</b>	If "Yes," enter the name of the foreign country: ▶ _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . . . .	<b>5a</b>		✓	
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? . . . . .	<b>5b</b>		✓	
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . . . .	<b>5c</b>			
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? . . . . .	<b>6a</b>		✓	
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . .	<b>6b</b>			
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>				
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? . . . . .	<b>7a</b>			
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . .	<b>7b</b>			
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . .	<b>7c</b>			
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year . . . . .	<b>7d</b>			
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . .	<b>7e</b>			
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . . . .	<b>7f</b>			
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . . . .	<b>7g</b>			
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . .	<b>7h</b>			
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . .	<b>8</b>			
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>				
<b>a</b>	Did the organization make any taxable distributions under section 4966? . . . . .	<b>9a</b>			
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person? . . . . .	<b>9b</b>			
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter:				
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12 . . . . .	<b>10a</b>			
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities . . . . .	<b>10b</b>			
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter:				
<b>a</b>	Gross income from members or shareholders . . . . .	<b>11a</b>			
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) . . . . .	<b>11b</b>			
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . . . .	<b>12a</b>			
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year . . . . .	<b>12b</b>			
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>				
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? . . . . . <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>			
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans . . . . .	<b>13b</b>			
<b>c</b>	Enter the amount of reserves on hand . . . . .	<b>13c</b>			
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year? . . . . .	<b>14a</b>		✓	
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . . . .	<b>14b</b>			

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

**Section A. Governing Body and Management**

	Yes	No
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . . . .		
<b>1b</b> Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .		<input checked="" type="checkbox"/>
<b>3</b> Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	<input checked="" type="checkbox"/>	
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		<input checked="" type="checkbox"/>
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		<input checked="" type="checkbox"/>
<b>6</b> Does the organization have members or stockholders? . . . . .	<input checked="" type="checkbox"/>	
<b>7a</b> Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	<input checked="" type="checkbox"/>	
<b>7b</b> Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	<input checked="" type="checkbox"/>	
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>a</b> The governing body? . . . . .	<input checked="" type="checkbox"/>	
<b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .	<input checked="" type="checkbox"/>	
<b>9</b> Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .		<input checked="" type="checkbox"/>

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
<b>10a</b> Does the organization have local chapters, branches, or affiliates? . . . . .		<input checked="" type="checkbox"/>
<b>10b</b> If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .		
<b>11a</b> Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .	<input checked="" type="checkbox"/>	
<b>11b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
<b>12a</b> Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	<input checked="" type="checkbox"/>	
<b>12b</b> Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	<input checked="" type="checkbox"/>	
<b>12c</b> Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .	<input checked="" type="checkbox"/>	
<b>13</b> Does the organization have a written whistleblower policy? . . . . .	<input checked="" type="checkbox"/>	
<b>14</b> Does the organization have a written document retention and destruction policy? . . . . .	<input checked="" type="checkbox"/>	
<b>15</b> Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
<b>a</b> The organization's CEO, Executive Director, or top management official . . . . .	<input checked="" type="checkbox"/>	
<b>b</b> Other officers or key employees of the organization . . . . .	<input checked="" type="checkbox"/>	
If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.) . . . . .		
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		<input checked="" type="checkbox"/>
<b>16b</b> If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .		

**Section C. Disclosure**

- 17** List the states with which a copy of this Form 990 is required to be filed ►
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.  
 Own website     Another's website     Upon request
- 19** Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ► Mike Petterson- VP Finance Treasury, (512)225-7013  
7620 Metro Center Drive, Austin, TX 78744-1613

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response to any question in this Part VII

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
Jorge Bermudez Director	12	<input checked="" type="checkbox"/>					34,267	0	0	
Calvin Crowder Director	6	<input checked="" type="checkbox"/>					0	0	0	
Andrew Dalton Director	6	<input checked="" type="checkbox"/>					0	0	0	
Laura Doll Director	20	<input checked="" type="checkbox"/>					35,167	0	0	
Mark Dreyfus Director	5	<input checked="" type="checkbox"/>					0	0	0	
Miguel Espinosa Director	6	<input checked="" type="checkbox"/>					83,600	0	0	
Nick Fehrenbach Director	10	<input checked="" type="checkbox"/>					0	0	0	
Michehl Gent Director	14	<input checked="" type="checkbox"/>					88,700	0	0	
Sheri Givens Director	8	<input checked="" type="checkbox"/>					0	0	0	
Bob Helton Director	15	<input checked="" type="checkbox"/>					0	0	0	
Clifton Karnei Director	6	<input checked="" type="checkbox"/>					0	0	0	
Jan Newton Director	35	<input checked="" type="checkbox"/>					53,033	0	0	
Alton Patton Director	10	<input checked="" type="checkbox"/>					79,300	0	0	
Jean Ryall Director	15	<input checked="" type="checkbox"/>					0	0	0	
Barry T Smitherman Director	15	<input checked="" type="checkbox"/>					0	0	0	
Marcie Zlotnik Director	4	<input checked="" type="checkbox"/>					0	0	0	



**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**
**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
Deryl Brown Segment Alternate	1	<input checked="" type="checkbox"/>						0	0	0
Michael Packard Segment Alternate	15	<input checked="" type="checkbox"/>						0	0	0
Scott Prochazka Segment Alternate	2	<input checked="" type="checkbox"/>						0	0	0
Ray Schwertner Segment Alternate	8	<input checked="" type="checkbox"/>						0	0	0
Mark Walker Segment Alternate	5	<input checked="" type="checkbox"/>						0	0	0
Brandon Whittle Segment Alternate	6	<input checked="" type="checkbox"/>						0	0	0
HB Doggett President and CEO; Director	45	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				403,475	0	52,536
Michael Cleary Senior VP & COO	45			<input checked="" type="checkbox"/>				437,857	0	45,231
Roy Bowman Interim CFO (See Schedule O)	45			<input checked="" type="checkbox"/>				0	0	0
Michael Petterson Controller (acting CFO duties)	45			<input checked="" type="checkbox"/>				174,808	0	39,382
Nancy Capezzuti VP & CAO	45			<input checked="" type="checkbox"/>				216,790	0	7,932
Michael Grable VP, General Counsel & Corporate Secretary	45			<input checked="" type="checkbox"/>				75,004	0	13,141
William Magness VP, General Counsel & Corp Sec (see Sch. O)	45			<input checked="" type="checkbox"/>				72,499	0	16,860
Harold Saathoff VP System Planning & Operations	45			<input checked="" type="checkbox"/>				232,618	0	54,774
Larry Grimm CEO/CCO (Texas RE)	45			<input checked="" type="checkbox"/>				111,388	0	22,021
Charles Manning Jr VP & CCO	45			<input checked="" type="checkbox"/>				287,506	0	53,058

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
Richard Morgan VP & CIO	4			✓			294,726	0	33,161	
Sallie Betty Day Director, Com Market Ops (acting COO duties)	45			✓			207,811	0	51,369	
Estrellita Doolin Asst General Counsel & Asst Corp Secretary	45			✓			168,014	0	22,905	
Vickie Leady Sr Corp Counsel & Asst Corp Secretary	45			✓			116,851	0	38,757	
David Forfia Sr Director, IT Infrastructure	45				✓		191,356	0	37,311	
Steven Grendel Director- Facilities	45				✓		185,563	0	44,866	
David Troxtell Director, Program Management	45				✓		184,516	0	35,002	
Cheryl Yager Treasurer	45				✓		173,424	0	41,682	
Jim Brenton Principal, Cyber Standards Dev & Review	45					✓	165,379	0	37,616	
Jerome Dreyer Director, Application Services	45					✓	198,727	0	39,210	
Matthew Morais Assistant General Counsel	45					✓	167,941	0	23,662	
Steven Myers Principal, Operating Standards	45					✓	161,455	0	41,867	
Dan Woodfin Director, System Planning	45					✓	165,793	0	36,887	

**Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
<b>1b Sub-total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>							4,767,568	0	789,230	

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **202**

	Yes	No
<b>3</b> Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		✓
<b>4</b> For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	✓	
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		✓

**Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
<u>Allegis Group Services Inc, 7301 Parkway Drive, Hanover, MD 21076</u>	<u>Contingent workforce</u>	<u>20,180,146</u>
<u>ABB Inc, 1601 Industrial Blvd, Sugarland, TX 77478-2579</u>	<u>IT consulting</u>	<u>5,521,697</u>
<u>Potomac Economics Ltd, 9990 Fairfax Blvd, Suite 560, Fairfax, VA 22030</u>	<u>Independent market monitor</u>	<u>2,158,342</u>
<u>ALSTOM Grid Inc, 10865 Willows Road NE, Redmond, WA 98052-2502</u>	<u>IT consulting</u>	<u>2,068,207</u>
<u>Utility Integration Solutions, 24 Benthill Court, Layfayette, CA 94549</u>	<u>Business integration</u>	<u>1,730,204</u>

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **37**

**Part VIII Statement of Revenue**

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>	0				
	<b>b</b> Membership dues . . . . .	<b>1b</b>	3,748,111				
	<b>c</b> Fundraising events . . . . .	<b>1c</b>	0				
	<b>d</b> Related organizations . . . . .	<b>1d</b>	0				
	<b>e</b> Government grants (contributions)	<b>1e</b>	45,564,804				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	0				
	<b>g</b> Noncash contributions included in lines 1a-1f: \$		0				
	<b>h Total.</b> Add lines 1a-1f . . . . .		49,312,915				
<b>Program Service Revenue</b>	<b>2a</b> <u>Electric reliability revenue</u>		<b>Business Code</b> 221000	219,542,751	219,542,751	0	0
	<b>b</b> -----						
	<b>c</b> -----						
	<b>d</b> -----						
	<b>e</b> -----						
	<b>f</b> All other program service revenue .			0	0	0	0
	<b>g Total.</b> Add lines 2a-2f . . . . .			219,542,751			
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) . . . . .		6,544	3,753	0	2,791	
	<b>4</b> Income from investment of tax-exempt bond proceeds		0	0	0	0	
	<b>5</b> Royalties . . . . .		0	0	0	0	
	<b>6a</b> Gross Rents . . . . .	(i) Real	0				
		(ii) Personal	0				
	<b>b</b> Less: rental expenses		0	0			
	<b>c</b> Rental income or (loss)		0	0			
	<b>d</b> Net rental income or (loss) . . . . .		0	0	0	0	
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	0				
		(ii) Other		12,874			
		<b>b</b> Less: cost or other basis and sales expenses . . . . .		0	34,486		
		<b>c</b> Gain or (loss) . . . . .		0	-21,612		
	<b>d</b> Net gain or (loss) . . . . .		-21,612	-21,612	0	0	
	<b>8a</b> Gross income from fundraising events (not including \$ 0 of contributions reported on line 1c). See Part IV, line 18 . . . . .	<b>a</b>	0				
		<b>b</b> Less: direct expenses . . . . .	<b>b</b>	0			
		<b>c</b> Net income or (loss) from fundraising events . . . . .		0	0	0	0
<b>9a</b> Gross income from gaming activities. See Part IV, line 19 . . . . .	<b>a</b>	0					
	<b>b</b> Less: direct expenses . . . . .	<b>b</b>	0				
	<b>c</b> Net income or (loss) from gaming activities . . . . .		0	0	0	0	
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .	<b>a</b>	0					
	<b>b</b> Less: cost of goods sold . . . . .	<b>b</b>	0				
	<b>c</b> Net income or (loss) from sales of inventory . . . . .		0	0	0	0	
Miscellaneous Revenue		<b>Business Code</b>					
<b>11a</b> <u>Gain on investments</u>		900099	3,409,803	0	0	3,409,803	
<b>b</b> <u>Non-operating income (other)</u>		900099	225,267	225,267	0	0	
<b>c</b> -----							
<b>d</b> All other revenue . . . . .			0	0	0	0	
<b>e Total.</b> Add lines 11a-11d . . . . .			3,635,070				
<b>12 Total revenue.</b> See instructions. . . . .			272,475,668	219,750,159	0	3,412,594	

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.  
 All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21 . . . . .	0	0		
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22 . . . . .	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16 . . . . .	0	0		
4	Benefits paid to or for members . . . . .	0	0		
5	Compensation of current officers, directors, trustees, and key employees . . . . .	4,521,277	1,895,355	2,625,922	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	0	0	0	0
7	Other salaries and wages . . . . .	31,083,417	24,234,335	6,849,082	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	7,873,859	6,636,788	1,237,071	0
9	Other employee benefits . . . . .	6,667,814	5,684,831	982,983	0
10	Payroll taxes . . . . .	4,802,890	4,039,031	763,859	0
11	Fees for services (non-employees):				
a	Management . . . . .	0	0	0	0
b	Legal . . . . .	599,158	0	599,158	0
c	Accounting . . . . .	333,147	1,337	331,810	0
d	Lobbying . . . . .	0	0	0	0
e	Professional fundraising services. See Part IV, line 17 . . . . .	0			0
f	Investment management fees . . . . .	0	0	0	0
g	Other . . . . .	12,564,657	9,600,804	2,963,853	0
12	Advertising and promotion . . . . .	0	0	0	0
13	Office expenses . . . . .	695,421	456,591	238,830	0
14	Information technology . . . . .	3,384,267	3,085,513	298,754	0
15	Royalties . . . . .	0	0	0	0
16	Occupancy . . . . .	5,616,056	0	5,616,056	0
17	Travel . . . . .	621,612	431,123	190,489	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0	0	0	0
19	Conferences, conventions, and meetings . . . . .	598,820	489,222	109,598	0
20	Interest . . . . .	2,650,167	0	2,650,167	0
21	Payments to affiliates . . . . .	0	0	0	0
22	Depreciation, depletion, and amortization . . . . .	29,644,760	24,783,019	4,861,741	0
23	Insurance . . . . .	1,808,944	0	1,808,944	0
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a	<u>Hardware and software expenses</u> . . . . .	10,324,445	9,661,647	662,798	0
b	<u>Professional fees</u> . . . . .	9,742,779	1,273,788	8,468,991	0
c	<u>Amortization of regulatory asset</u> . . . . .	119,717,623	119,717,623	0	0
d	-----				
e	-----				
f	All other expenses . . . . .	164,942	1,964	162,978	0
25	<b>Total functional expenses.</b> Add lines 1 through 24f	253,416,055	211,992,971	41,423,084	0
26	<b>Joint costs.</b> Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation . . . . .				

**Part X Balance Sheet**

		(A)		(B)	
		Beginning of year		End of year	
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	419,795	<b>1</b>	867,752	
	<b>2</b> Savings and temporary cash investments . . . . .	210,726,682	<b>2</b>	324,286,052	
	<b>3</b> Pledges and grants receivable, net . . . . .	0	<b>3</b>	18,352	
	<b>4</b> Accounts receivable, net . . . . .	15,398,302	<b>4</b>	18,441,105	
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .	0	<b>5</b>	0	
	<b>6</b> Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) . . . . .	0	<b>6</b>	0	
	<b>7</b> Notes and loans receivable, net . . . . .	0	<b>7</b>	0	
	<b>8</b> Inventories for sale or use . . . . .	0	<b>8</b>	0	
	<b>9</b> Prepaid expenses and deferred charges . . . . .	13,040,261	<b>9</b>	13,981,724	
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	<b>10a</b> 806,454,964			
	<b>b</b> Less: accumulated depreciation . . . . .	<b>10b</b> 346,077,657	427,395,883	<b>10c</b>	460,377,307
	<b>11</b> Investments—publicly traded securities . . . . .	0	<b>11</b>	0	
	<b>12</b> Investments—other securities. See Part IV, line 11 . . . . .	0	<b>12</b>	0	
	<b>13</b> Investments—program-related. See Part IV, line 11 . . . . .	0	<b>13</b>	0	
	<b>14</b> Intangible assets . . . . .	0	<b>14</b>	0	
	<b>15</b> Other assets. See Part IV, line 11 . . . . .	651,159	<b>15</b>	467,079	
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	667,632,082	<b>16</b>	818,439,371		
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	19,474,630	<b>17</b>	23,816,791	
	<b>18</b> Grants payable . . . . .	0	<b>18</b>	0	
	<b>19</b> Deferred revenue . . . . .	4,269,514	<b>19</b>	3,301,820	
	<b>20</b> Tax-exempt bond liabilities . . . . .	0	<b>20</b>	0	
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .	79,203,867	<b>21</b>	65,826,500	
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .	0	<b>22</b>	0	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	364,678,000	<b>23</b>	336,207,665	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .	0	<b>24</b>	0	
	<b>25</b> Other liabilities. Complete Part X of Schedule D . . . . .	185,016,340	<b>25</b>	353,413,312	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	652,642,351	<b>26</b>	782,566,088	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b> Unrestricted net assets . . . . .	14,989,731	<b>27</b>	35,873,283	
	<b>28</b> Temporarily restricted net assets . . . . .	0	<b>28</b>	0	
	<b>29</b> Permanently restricted net assets . . . . .	0	<b>29</b>	0	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>		
	<b>31</b> Paid-in or capital surplus, or land, building, or equipment fund . . . . .		<b>31</b>		
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>		
	<b>33</b> Total net assets or fund balances . . . . .	14,989,731	<b>33</b>	35,873,283	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	667,632,082	<b>34</b>	818,439,371		

**Part XI Reconciliation of Net Assets**

Check if Schedule O contains a response to any question in this Part XI

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	272,475,668
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	253,416,055
<b>3</b>	Revenue less expenses. Subtract line 2 from line 1	<b>3</b>	19,059,613
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	14,989,731
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	1,823,939
<b>6</b>	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	35,873,283

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response to any question in this Part XII

- 1** Accounting method used to prepare the Form 990:  Cash  Accrual  Other \_\_\_\_\_  
 If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .
- b** Were the organization's financial statements audited by an independent accountant? . . . . .
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- d** If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both:  
 Separate basis  Consolidated basis  Both consolidated and separate basis
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? . . . . .
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits

	Yes	No
<b>2a</b>		✓
<b>2b</b>	✓	
<b>2c</b>	✓	
<b>3a</b>		✓
<b>3b</b>		

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12. Attach to Form 990. See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

Employer identification number

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC

74-2587416

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate contributions to (during year), 3 Aggregate grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors... Yes No, 6 Did the organization inform all grantees... Yes No.

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

Table with 2 columns: Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements, 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution, 3 Number of conservation easements modified, 4 Number of states where property subject to conservation easement is located, 5 Does the organization have a written policy regarding the periodic monitoring, 6 Staff and volunteer hours devoted to monitoring, 7 Amount of expenses incurred in monitoring, 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B), 9 In Part XIV, describe how the organization reports conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

Table with 2 columns: Revenues, Assets. Rows include: 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items. 1b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenues included in Form 990, Part VIII, line 1, (ii) Assets included in Form 990, Part X. 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items: a Revenues included in Form 990, Part VIII, line 1, b Assets included in Form 990, Part X.



**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

**3** Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a**  Public exhibition
- b**  Scholarly research
- c**  Preservation for future generations
- d**  Loan or exchange programs
- e**  Other \_\_\_\_\_

**4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

**5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  **Yes**  **No**

**Part IV Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

**1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  **Yes**  **No**

**b** If "Yes," explain the arrangement in Part XIV and complete the following table:

	Amount
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

**2a** Did the organization include an amount on Form 990, Part X, line 21?  **Yes**  **No**

**b** If "Yes," explain the arrangement in Part XIV.

**Part V Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
<b>1a</b> Beginning of year balance					
<b>b</b> Contributions					
<b>c</b> Net investment earnings, gains, and losses					
<b>d</b> Grants or scholarships					
<b>e</b> Other expenditures for facilities and programs					
<b>f</b> Administrative expenses					
<b>g</b> End of year balance					

**2** Provide the estimated percentage of the year end balance held as:

- a** Board designated or quasi-endowment  \_\_\_\_\_ %
- b** Permanent endowment  \_\_\_\_\_ %
- c** Term endowment  \_\_\_\_\_ %

**3a** Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
<b>(i)</b> unrelated organizations	<b>3a(i)</b>	
<b>(ii)</b> related organizations	<b>3a(ii)</b>	

**b** If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?  **Yes**  **No**

**4** Describe in Part XIV the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
<b>1a</b> Land	0	947,096		947,096
<b>b</b> Buildings	0	79,713,385	16,188,605	63,524,780
<b>c</b> Leasehold improvements	0	12,327,374	11,691,386	635,988
<b>d</b> Equipment	0	117,654,047	82,126,334	35,527,713
<b>e</b> Other	0	595,813,062	236,071,332	359,741,730
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				460,377,307

**Part VII Investments—Other Securities.** See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives . . . . .		
(2) Closely-held equity interests . . . . .		
(3) Other _____		
(A) _____		
(B) _____		
(C) _____		
(D) _____		
(E) _____		
(F) _____		
(G) _____		
(H) _____		
(I) _____		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 12.) ►		

**Part VIII Investments—Program Related.** See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 13.) ►		

**Part IX Other Assets.** See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) . . . . . ►	

**Part X Other Liabilities.** See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount	
(1) Federal income taxes	0	
(2) Security deposits	255,597,885	
(3) Deferred rent credits	67,710	
(4) Derivative liability	9,831,155	
(5) Deferred regulatory liability- Nodal	87,659,997	
(6) Accrued post retirement liability	256,565	
(7)		
(8)		
(9)		
(10)		
(11)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ►	353,413,312	

2. FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization’s financial statements that reports the organization’s liability for uncertain tax positions under FIN 48 (ASC 740).

**Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements**

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	272,475,668
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	253,416,055
<b>3</b>	Excess or (deficit) for the year. Subtract line 2 from line 1	<b>3</b>	19,059,613
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	0
<b>5</b>	Donated services and use of facilities	<b>5</b>	0
<b>6</b>	Investment expenses	<b>6</b>	0
<b>7</b>	Prior period adjustments	<b>7</b>	0
<b>8</b>	Other (Describe in Part XIV.)	<b>8</b>	1,823,939
<b>9</b>	Total adjustments (net). Add lines 4 through 8	<b>9</b>	1,823,939
<b>10</b>	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	<b>10</b>	20,883,552

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

<b>1</b>	Total revenue, gains, and other support per audited financial statements	<b>1</b>	275,377,043
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
<b>a</b>	Net unrealized gains on investments	<b>2a</b>	0
<b>b</b>	Donated services and use of facilities	<b>2b</b>	0
<b>c</b>	Recoveries of prior year grants	<b>2c</b>	0
<b>d</b>	Other (Describe in Part XIV.)	<b>2d</b>	2,901,375
<b>e</b>	Add lines <b>2a</b> through <b>2d</b>	<b>2e</b>	2,901,375
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b>	<b>3</b>	272,475,668
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b	<b>4a</b>	0
<b>b</b>	Other (Describe in Part XIV.)	<b>4b</b>	0
<b>c</b>	Add lines <b>4a</b> and <b>4b</b>	<b>4c</b>	0
<b>5</b>	Total revenue. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12.)	<b>5</b>	272,475,668

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

<b>1</b>	Total expenses and losses per audited financial statements	<b>1</b>	253,416,055
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
<b>a</b>	Donated services and use of facilities	<b>2a</b>	0
<b>b</b>	Prior year adjustments	<b>2b</b>	0
<b>c</b>	Other losses	<b>2c</b>	0
<b>d</b>	Other (Describe in Part XIV.)	<b>2d</b>	0
<b>e</b>	Add lines <b>2a</b> through <b>2d</b>	<b>2e</b>	0
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b>	<b>3</b>	253,416,055
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b	<b>4a</b>	0
<b>b</b>	Other (Describe in Part XIV.)	<b>4b</b>	0
<b>c</b>	Add lines <b>4a</b> and <b>4b</b>	<b>4c</b>	0
<b>5</b>	Total expenses. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18.)	<b>5</b>	253,416,055

**Part XIV Supplemental Information**

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Schedule D, Part IV, Line 2b - Organization included amount on Form 990, Part X, Line 21- In the exercise of any functions related to deployment of energy or Ancillary Services, ERCOT acts only as an agent on behalf of the various Market Participants in fulfilling the duties subject to the financial settlement process in accordance with ERCOT Protocols. The settlement process is used to resolve financial obligations for market services procured through ERCOT for registered Market Participants, and there is a one business day lag between the date funds are received by ERCOT and paid to the market. Additionally, as required by ERCOT Protocols, ERCOT executes auctions for Congestion Revenue Rights monthly and annually and distributes the proceeds from these auctions to Market Participants as required by ERCOT Protocols.

Schedule D, Part XI, Line 8 - Reconciliation of Change in Net Assets from Form 990 to F/S- Other \$1,823,939 represents a derivative valuation change of \$2,901,375 under FASB ASC 815 Derivatives and Hedging Topic, deferred pension costs of (\$43,185), and a distribution of net assets for Texas Regional Entity of (\$1,034,251).



**SCHEDULE J  
(Form 990)**

Department of the Treasury  
Internal Revenue Service  
Name of the organization

**Compensation Information**  
For certain Officers, Directors, Trustees, Key Employees, and Highest  
Compensated Employees  
▶ Complete if the organization answered "Yes" to Form 990,  
Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

**2010**

**Open to Public  
Inspection**

**ELECTRIC RELIABILITY COUNCIL OF TEXAS INC**

Employer identification number

**74-2587416**

**Part I Questions Regarding Compensation**

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- |  |   |
|--|---|
| <input type="checkbox"/> First-class or charter travel             | <input checked="" type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence            |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees              |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)            |

**b** If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain . . . . .

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? . . . . .

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee              | <input checked="" type="checkbox"/> Written employment contract                     |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input checked="" type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment from the organization or a related organization? **4a** ✓
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan? **4b** ✓
- c** Participate in, or receive payment from, an equity-based compensation arrangement? **4c** ✓
- If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III.

**Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5–9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization? **5a** ✓
- b** Any related organization? **5b** ✓
- If "Yes" to line 5a or 5b, describe in Part III.

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization? **6a** ✓
- b** Any related organization? **6b** ✓
- If "Yes" to line 6a or 6b, describe in Part III.

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III . . . . . **7** ✓

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III . . . . . **8** ✓

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? . . . . . **9**

	Yes	No
<b>1b</b>	✓	
<b>2</b>	✓	
<b>4a</b>	✓	
<b>4b</b>		✓
<b>4c</b>		✓
<b>5a</b>		✓
<b>5b</b>		✓
<b>6a</b>		✓
<b>6b</b>		✓
<b>7</b>	✓	
<b>8</b>		✓
<b>9</b>		

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

**Note.** The sum of columns (B)(i)–(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)–(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ	
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation					
1	HB Doggett	(i)	380,775	22,700	0	35,525	17,011	456,011	0
		(ii)	0	0	0	0	0	0	0
2	Michael Cleary	(i)	298,564	100,000	39,293	28,429	16,802	483,088	0
		(ii)	0	0	0	0	0	0	0
3	Michael Petterson	(i)	174,808	0	0	22,934	16,448	214,190	0
		(ii)	0	0	0	0	0	0	0
4	Nancy Capezzuti	(i)	45,973	0	170,817	6,669	1,263	224,722	0
		(ii)	0	0	0	0	0	0	0
5	Harold Saathoff	(i)	232,618	0	0	33,907	20,867	287,392	0
		(ii)	0	0	0	0	0	0	0
6	Charles Manning Jr	(i)	253,891	0	33,615	33,297	19,761	340,564	0
		(ii)	0	0	0	0	0	0	0
7	Richard Morgan	(i)	292,007	2,719	0	29,530	3,631	327,887	0
		(ii)	0	0	0	0	0	0	0
8	Sallie Betty Day	(i)	204,412	2,719	680	30,569	20,800	259,180	0
		(ii)	0	0	0	0	0	0	0
9	Estrellita Doolin	(i)	119,924	0	48,090	17,495	5,410	190,919	0
		(ii)	0	0	0	0	0	0	0
10	Vickie Leady	(i)	116,851	0	0	17,311	21,446	155,608	0
		(ii)	0	0	0	0	0	0	0
11	David Forfia	(i)	191,356	0	0	26,985	10,326	228,667	0
		(ii)	0	0	0	0	0	0	0
12	Steven Grendel	(i)	182,844	2,719	0	27,187	17,679	230,429	0
		(ii)	0	0	0	0	0	0	0
13	David Troxtell	(i)	130,723	0	53,793	19,389	15,613	219,518	0
		(ii)	0	0	0	0	0	0	0
14	Cheryl Yager	(i)	173,424	0	0	25,238	16,444	215,106	0
		(ii)	0	0	0	0	0	0	0
15	Jim Brenton	(i)	165,039	340	0	23,825	13,791	202,995	0
		(ii)	0	0	0	0	0	0	0
16	Jerome Dreyer	(i)	189,863	2,039	6,825	27,841	11,369	237,937	0
		(ii)	0	0	0	0	0	0	0

**Part III Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Schedule J, Part I, Line 1a - A housing allowance was provided to Michael Cleary through direct payment to Residence Inn. This housing allowance was approved by the Human Resources department, followed ERCOT's written expense reimbursement policy, and all payments required receipt and approval. This was not included as taxable income to Michael Cleary and is not included in Column D of Schedule J, Part II as this amount did not exceed \$10,000 in 2010.

Schedule J, Part I, Line 4 - Severance Payments- 1) Pursuant to an agreement with ERCOT, Nancy Capezzuti received \$170,817 severance in 2010. Under this agreement, Nancy Capezzuti's termination date was February 15, 2010, and this payment was paid in one installment in 2010. 2) Pursuant to an agreement with ERCOT, Estrellita Doolin received \$47,750 severance in 2010. Under this agreement, Estrellita Doolin's termination date was October 4, 2010, and this payment was paid in one installment in 2010. 3) Pursuant to an agreement with ERCOT, David Troxtell received \$53,793 severance in 2010. Under this agreement, David Troxtell's termination date was October 4, 2010, and this payment was paid in one installment in 2010.

Schedule J, Part I, Line 7 - Non-fixed payments not described in Lines 5 and 6- ERCOT maintains an employee recognition award program whereby employees can receive one or more awards during the course of the year up to \$1,000 each for exemplary performance. On rare occasions, individual performance may justify awards which exceed \$1,000, and these awards require approval of the Chief Executive Officer.





**SCHEDULE L  
(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Transactions With Interested Persons**

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**  
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No. 1545-0047

**2010**

**Open To Public Inspection**

Name of the organization

**ELECTRIC RELIABILITY COUNCIL OF TEXAS INC**

Employer identification number

**74-2587416**

**Part I Excess Benefit Transactions** (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958. . . . . ▶ \$ \_\_\_\_\_

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$ \_\_\_\_\_

**Part II Loans to and/or From Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1)										
(2)										
(3)										
(4)										
(5)										
(6)										
(7)										
(8)										
(9)										
(10)										
<b>Total</b> . . . . . ▶				\$						

**Part III Grants or Assistance Benefiting Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		

**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Brazos Electric Power Coop Inc	See Part V below	110,279,081	See Part V below		✓
(2) MP2 Energy Texas LLC	See Part V below	3,932,788	See Part V below		✓
(3) Casey Gentz and Magness LLP	See Part V below	174,035	See Part V below		✓
(4) Star Electricity LLC	See Part V below	102,000	See Part V below		✓
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

**Part V Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule L (see instructions).

Schedule L, Part IV - Business Transactions Involving Interested Persons- (1)(b) Clifton Karnei was a 2010 Board Member (Cooperative Segment) of ERCOT and also an officer of Brazos Electric Power Cooperative, Inc. (1)(d) Payment of governmentally-approved tariff, ancillary service fees, and membership fees (2)(b) Ray Schwertner was a 2010 Board Member (Segment Alternate for Municipal Segment) of ERCOT, and his son is an officer of MP2 Energy Texas, LLC. (2)(d) Payment of governmentally-approved tariff and ancillary service fees (3)(b) Marcie Zlotnik was a 2010 Board Member (Independent Retail Electric Providers Segment) of ERCOT and also an officer of StarTex Power (3)(d) Payment of ancillary service fees and membership fees (4)(b) William Magness served as the ERCOT Interim Vice President, General Counsel, and Corporate Secretary from April 12, 2010 to September 20, 2010. At this same time, he was a partner at Casey, Gentz & Magness LLP, who provided legal services to ERCOT. (4)(d) Payment by ERCOT for legal services provided. To the best of ERCOT's knowledge and belief, Schedule L sets forth the business transactions with interested persons that must be disclosed pursuant to the instructions to that form. Similar to the disclosures above, certain Board Members (particularly the directors representing Corporate Member Segments) have relationships with Market Participants which may have affiliates that also may have been parties to business transactions with ERCOT that are not reportable on Schedule L. Market Participants are those entities that engage in any activity that is in whole or in part the subject of the ERCOT Protocols which are used for the orderly functioning of the ERCOT market.

**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

**2010**

**Open to Public  
Inspection**

Name of the organization

**ELECTRIC RELIABILITY COUNCIL OF TEXAS INC**

Employer identification number

**74-2587416**

Form 990, Part I, Line 1 - Organization's Mission- Electric Reliability Council of Texas, Inc. (ERCOT) lessens the burdens of government, serves the public interest by, and fulfills its statutory obligation by: (i) ensuring open access to transmission and distribution systems; (ii) maintaining system reliability and operations; (iii) enabling retail choice; operating fair and competitive wholesale markets; (iv) maintaining the renewable energy credits registry; and (v) providing leadership and independent expertise to improve system reliability and market efficiency. As an independent system operator of reliable, open and non-discriminatory electric markets in the State of Texas, ERCOT manages the reliable flow of electric power to 23 million Texans - representing 85 percent of the state's retail customers and 75 percent of the Texas land area. ERCOT schedules power on an electric grid that connects 40,500 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the \$32 billion competitive wholesale bulk-power market and administers customer switching for 6.6 million Texans in competitive choice areas; ERCOT has processed more than 5 million retail transactions since the retail market opened in 2001.

Form 990, Part III, Line 1 - Organization's Approved Mission Statement- ERCOT serves the public interest by: ensuring open access to transmission and distribution systems; maintaining system reliability and operations; enabling retail choice; operating fair and competitive wholesale markets; maintaining the renewable energy credits registry; and providing leadership and independent expertise to improve system reliability and market efficiency.

Form 990, Part IV, Line 32 - Transfer of Net Assets- For part of the 2010 tax year, ERCOT was organized with a functionally independent division known as Texas Regional Entity (TRE). TRE was formed on April 19, 2007, for two primary reasons: (1) to become a regional entity under Part II of the Federal Power Act (16 U.S.C. 824, et seq.) through a delegation agreement with North American Electric Reliability Corporation (NERC) which was approved by the Federal Energy Regulatory Commission (FERC), pursuant to Section 215 of the Federal Power Act; and (2) to perform certain reliability compliance monitoring and reporting duties for the Public Utility Commission of Texas (PUCT), an agency of the State of Texas. On January 1, 2010, Texas Reliability Entity, Inc. (Texas RE), a Section 501(c)(3) tax-exempt, Texas non-profit corporation, was formed to become the successor regional entity for the ERCOT region. ERCOT and Texas RE entered into an assignment and assumption agreement, effective as of June 30, 2010, to allow Texas RE to take over all of the activities and responsibilities which were then performed by TRE. Effective July 1, 2010, NERC entered into an Amended and Restated Delegation Agreement with Texas RE, designating Texas RE the new regional entity for the ERCOT region. Texas RE is a separate, unaffiliated legal entity from ERCOT. From July 1, 2010, through December 31, 2010, at the PUCT's direction, ERCOT, Texas RE and the PUCT entered into a tri-party professional services agreement and statement of work for ERCOT region reliability monitor services (Reliability Monitor Agreement) subject to the PUCT's supervision and oversight in the total amount of \$413,730. In this role, Texas RE was responsible for monitoring, investigating, auditing and reporting to the PUCT regarding compliance with the reliability-related ERCOT Protocols and Operating Guides, and the reliability-related provisions of the Public Utility Regulatory Act by ERCOT and ERCOT market participants. The parties entered into this Reliability Monitor Agreement pursuant to the PUCT's directive that a third-party entity independent of ERCOT and ERCOT market participants assist the PUCT in ensuring compliance and enforcement of the reliability-related rules arising from state law and ERCOT Protocols and Operating Guides. In addition, Texas RE provided other reliability-related subject matter expert advice, expertise, and assistance to the PUCT in the conduct of the PUCT's oversight and enforcement activities. The parties have renewed the Reliability Monitor Agreement for a three-year extension from January 1, 2011 through December 31, 2013 for a total not-to-exceed amount of \$3.975 million. The services provided by Texas RE under the Reliability Monitor Agreement are separate and in addition to the services performed by Texas RE as a regional entity pursuant to its Amended and Restated Delegation Agreement with NERC. From January 1, 2010, through June 30, 2010, Larry Grimm served as Chief Executive Officer (CEO) and Chief Compliance Officer of TRE while TRE was an independent division of ERCOT. Mr. Grimm served as President and CEO of Texas RE from January 18, 2010, through December 31, 2010. During the 2010 tax year, Sheri Givens, Public Counsel with the Texas Office of Public Utility Counsel (OPUC), served as an ex officio voting director, representing residential and small commercial electricity consumers, on the ERCOT Board of Directors. During this time, Ms. Givens as Public Counsel with the Texas OPUC (or another employee as designated by Ms. Givens) also concurrently served as an ex officio non-voting director, representing residential and small commercial electricity consumers, on the TRE and Texas RE Boards of Directors. During the 2010 tax year, Barry T. Smitherman, the Chairman of the PUCT, served as an ex officio non-voting director on the ERCOT Board of Directors. During this time, Mr. Smitherman as the Chairman of the PUCT or another PUCT Commissioner designated by the Chairman could serve on as an ex-officio non-voting member; and Donna Nelson, PUCT Commissioner, routinely served on the TRE and Texas RE Boards of Directors in this capacity. In addition, from April 2007 through April 2010, the members of the ERCOT Board of Directors also concurrently served on the TRE Board of Directors. From January 2010 until June 30, 2010, five ERCOT Directors served on the Texas RE Board of Directors with Mr. Grimm as formation directors - specifically, Jan Newton as Chair, Michehl Gent as Vice-Chair, and Miguel

## Supplemental Information (Continued)

Espinosa, PUCT Chairman Smitherman and Ms. Givens as the remaining formation directors.

Form 990, Part VI, Section A, Line 1a - Voting Directors- Pursuant to Section 39.151 of the Texas Public Utility Regulatory Act, ERCOT has sixteen members of its Board of Directors. Fifteen of the members have voting rights; the chair of the Public Utility Commission of Texas is an ex-officio non-voting member. Six of the voting directors represent segments of participants in the electricity market; each such "market participant director" has an elected alternate (segment alternate) who can attend meetings in the absence of the market participant director and vote on the absent market participant director's behalf in the event that such market participant director cannot attend a board meeting.

Form 990, Part VI, Section A, Line 3 - Management Duties- Roy Bowman served as the ERCOT Interim Chief Financial Officer for a portion of 2010, that is, through May 14, 2010. Beginning in September 2009, ERCOT contracted these services directly through Tatum LLC, where Roy Bowman serves as a partner. In 2010, ERCOT paid Tatum, pursuant to contract, \$166,333 for the services provided by Roy Bowman. As this was not W-2 reportable compensation from ERCOT and was paid directly to a management company, this amount is not included in Part VII, Line 1a, Schedule J-2, Part I, Column D, or Schedule J, Part II, Column B. Prior to the 2010 tax year, ERCOT engaged the law firm of Casey, Gentz and Magness, LLP (CGM), for legal services related to various regulatory matters, including rate case matters. From January 1, 2010 through April 12, 2010, CGM provided legal services to ERCOT related to various legal regulatory matters for which ERCOT paid CGM a total of \$103,458 in legal fees. Due to the voluntary departure of Michael G. Grable as ERCOT Vice President, General Counsel and Corporate Secretary, effective on April 12, 2010, ERCOT entered into a professional services agreement and statement of work with CGM for the part-time services of Bill Magness, a named partner of CGM, to serve as ERCOT Interim Vice President, General Counsel and Corporate Secretary for an initial term of April 12, 2010 through July 4, 2010. On April 12, 2010, the ERCOT Board of Directors ratified Mr. Magness as an ERCOT officer with the title of Interim Vice President, General Counsel and Corporate Secretary pursuant to ERCOT's agreement with CGM for Mr. Magness' services to avoid any disruption in the operations of ERCOT. Such ratification was expressly in effect until the earlier of the filling of this officer position by ERCOT or the termination of ERCOT's agreement with CGM for Mr. Magness' services. On June 14, 2010, ERCOT and CGM amended the initial statement of work to convert the fee structure from a flat fee to an hourly rate and to amend the end date of the term to June 30, 2010. ERCOT paid a total of \$48,701 in legal fees to CGM for Mr. Magness' interim General Counsel services pursuant to this first statement of work for the period of April 12, 2010 through June 30, 2010, and a total of \$6,320 in legal fees to CGM for other regulatory matters, including legal services performed by Mr. Magness, for the same time period. ERCOT and CGM entered into a second statement of work for an increased hourly rate and for a new term of July 1, 2010 through September 30, 2010. ERCOT paid a total of \$117,829 in legal fees to CGM for Mr. Magness' interim General Counsel services pursuant to this second statement of work for the period of July 1, 2010 through September 20, 2010, and a total of \$1,185 in legal fees to CGM for other regulatory matters, including legal services performed by Mr. Magness, for the same time period. On September 21, 2010, Mr. Magness resigned from CGM and accepted employment with ERCOT. On the same date, the ERCOT Board of Directors ratified Mr. Magness as an ERCOT officer with the title of Vice President, General Counsel and Corporate Secretary for a term not to exceed one year. During the 2010 tax year, ERCOT paid a total of \$277,493 in legal fees (exclusive of expense reimbursements) to CGM, specifically, \$166,530 for Mr. Magness' services as interim General Counsel from April 12, 2010, through September 20, 2010, and \$110,963 for other legal fees for which Mr. Magness provided legal services from January 1, 2010 through September 20, 2010.

Form 990, Part VI, Section A, Line 6 - Membership- As of December 31, 2010, ERCOT's membership included 314 voting and non-voting members. ERCOT members may be Corporate Members, Associate Members, or Adjunct Members. Corporate Members have the right to vote on all matters submitted to the general Membership (such as election of Directors, election of Technical Advisory Committee (TAC) Representatives, and amendments to the Articles of Incorporation and Bylaws). Corporate Members qualify in one of seven segments: Cooperative; Independent Generator; Independent Power Marketer; Independent Retail Electric Provider; Investor Owned Utility; Municipal (i.e. a municipal-owned utility or a River Authority); or Consumer (which has three subsegments; Commercial, Industrial and Residential). Associate and Adjunct Members do not have the right to vote on any matter submitted to the general Membership, and Adjunct Members do not have the right to be elected or appointed to the ERCOT Board, TAC, or any subcommittee of the Board or TAC.

Form 990, Part VI, Section A, Line 7a - Director Election Rights- Thirteen of the fifteen voting members of the ERCOT Board of Directors are elected by the Corporate Members or a portion of such Corporate Members. With respect to each of the six Market Participant Directors, only the Corporate Members of the Membership Segment represented by the Market Participant Director are allowed to elect the Director and the Segment Alternate for that seat. There are three Consumer Directors, of which: (i) one is the Public Counsel, an ex officio voting member of

## Supplemental Information (Continued)

the Board representing residential consumers and small commercial consumers; (ii) one is selected by the Large Commercial Consumer Corporate Members; and (iii) one is elected by the Corporate Members of the Industrial Consumer subsegment. The Membership votes by segment to elect the five unaffiliated voting Directors. The remaining voting Director is the Chief Executive Officer of ERCOT, who is an ex officio voting member of the Board.

Form 990, Part VI, Section A, Line 7b - Approval of Decisions- As a matter of state law or its governing documents, certain material matters must be submitted to the voting members of ERCOT for their approval, including amendments to the Articles of Incorporation and the Bylaws. Decisions of the ERCOT Board are generally appealable to the Public Utility Commission of Texas, an agency of the State of Texas.

Form 990, Part VI, Section B, Line 11a - Review of Form 990- The 2010 Form 990 was prepared initially by the Finance Department of ERCOT. It was reviewed by ERCOT officers as well as internal legal counsel, and then submitted for review by ERCOT's independent auditors. The Form 990 was subsequently reviewed and commented on by the Finance and Audit Committee of the Board of Directors before being submitted to the full Board in advance of, and for its consideration and input at, a meeting on July 19, 2011. The final version of the 2010 Form 990, incorporating the comments of all of the foregoing, was then filed with the Internal Revenue Service.

Form 990, Part VI, Section B, Line 12c - Process to monitor and enforce conflicts of interest- Each Director and Segment Alternate annually must execute an Ethics Agreement for Directors and Segment Alternates, and each employee annually must attend internal training sessions and execute an Employee Ethics Agreement. Pursuant to each Ethics Agreement, a signatory has an affirmative duty to disclose any actual or potential conflicts of interest of the signatory (and his or her employer, in the case of Director or Segment Alternates), and also must disclose all personal relationships with ERCOT vendors, including business or direct or indirect ownership interests. Any conflict of interest issue involving a Director or Segment Alternate is referred to the ERCOT General Counsel who, in consultation with the Board Chair and outside legal counsel, if and when necessary, makes a legal determination as to whether a conflict exists and, if so, a recommendation as to how it may be resolved. Any conflict and its resolution are reported to both the Human Resource & Governance (HR&G) Committee of the Board and the full Board of Directors. Any objection to the recommendation is resolved by the HR&G Committee or the full Board. Any ERCOT employee conflicts are evaluated by the ERCOT legal staff, and the legal staff makes a recommendation to resolve the conflict of interest. If the ERCOT legal staff recommends a resolution that is objectionable to the manager/director/officer of the conflicted employee, the legal decision is referred to the Chief Executive Officer and ultimately to the Board's HR&G Committee.

Form 990, Part VI, Section B, Line 15 - 1) Process for determining compensation of the Chief Executive Officer- In determining compensation for the Chief Executive Officer, ERCOT follows a procedure which ensures that (i) compensation is approved in advance by the independent members of the Board of Directors and its HR&G Committee, (ii) the Board and the HR&G Committee obtains and relies upon appropriate data for comparability, and (iii) the Board and the HR&G Committee each adequately documents the basis for its respective determination. In practice, the HR&G Committee of the Board of Directors reviews proposed changes to Chief Executive Officer compensation and submits recommendations to the Board for its approval. In its review, the HR&G Committee can request information from independent compensation consultants, and they receive information annually in regards to the compensation levels of similar companies from Forms 990 and other sources. Additionally, compensation surveys/studies are performed, as needed, to provide insight into the elements of compensation. The compensation-related information and Committee recommendations are submitted to the Board of Directors for its consideration and approval. A review of the Chief Executive Officer's compensation is performed annually, and all decisions regarding the Chief Executive Officer's compensation are documented and maintained. 2) Process for determining compensation of officers- In determining compensation for officers other than the Chief Executive Officer, ERCOT follows a procedure which ensures that (i) compensation is fully disclosed in advance to independent members of the Board's HR&G Committee, (ii) the HR&G Committee obtains and relies upon appropriate data for comparability, and (iii) the HR&G Committee adequately documents the basis for its determination. The Chief Executive Officer reports proposed officer pay amounts to the HR&G Committee for review and comment before any merit increase is finalized. Key employee compensation is reviewed and determined by their appropriate officer. For review of officer and key employee compensation, ERCOT uses merit ratings and data obtained relating to comparable compensation of similarly qualified persons in comparable positions at comparable organizations, including compensation surveys and Forms 990. Officer and key employee compensation is reviewed annually, and all decisions regarding officer and key employee compensation are documented and maintained.

Supplemental Information (Continued)

Form 990, Part VI, Section C, Line 19 - Documents available to the public- ERCOT's governing documents, conflict of interest policy, and audited financial statements are available to the public through the ERCOT website (www.ERCOT.com).

Form 990, Part VII, Section A, Line 1a - Officer Titles- In 2010, Sallie Betty Day served as the ERCOT Director of Markets. When H.B. Doggett, previously the Chief Operating Officer (COO), assumed the role of Interim President and CEO in October 2009, Sallie Betty Day moved into the role of Acting COO. While no official title change was made, she was given signature authority of the COO and assumed many of the roles and responsibilities. Sallie Betty Day maintained these roles and responsibilities until May 26, 2010. Therefore, for the purposes of the 2010 Form 990, ERCOT has listed Sallie Betty Day as an officer. In 2010, Michael Petterson served as the ERCOT Controller. Upon the departure of Roy Bowman, previously the Interim Chief Financial Officer (CFO), on June 1, 2010 Mike Petterson moved into the role of Acting CFO. While no official title change was made, he was given signature authority of the CFO and assumed many of the roles and responsibilities. Therefore, for the purposes of the 2010 Form 990, ERCOT has listed Michael Petterson as an officer.

Form 990, Part VIII, Line 1e - Government Grants- Included on Line 1e are payments from governmental units the primary purpose of which are to enable ERCOT to provide a service to the direct benefit of the public rather than to serve the direct and immediate needs of the governmental units. Also included on Line 1e are grant payments received from the U.S. Department of Energy (DOE). In 2010 under the American Recovery and Reinvestment Act, ERCOT was awarded two grants totaling \$3.5 million, to be paid over a three year period. In 2010, ERCOT received \$251,553 from the DOE and recognized a receivable of \$18,352 for funds expended but not yet reimbursed. These governmental payments were received in connection with the exercise of ERCOT's exempt function. As these payments are from governmental units, they are not reported on Part I of Schedule B, Schedule of Contributors.

Form 990, Part VIII, Line 11a 11b 11c - Miscellaneous Revenue- In 2010, ERCOT received distributions totaling \$3,409,803 from The Reserve for the recovery of investment funds from a previously recognized unrealized loss in 2008. This amount is considered non-operating income and is presented on Part VIII in line 11a, column D.

Form 990, Part XI, Line 5 - Other Changes in Net Assets- Other changes in net assets of \$1,823,939 represents a derivative valuation change of \$2,901,375 under FASB ASC 815 Derivatives and Hedging Topic, deferred pension costs of (\$43,185), and a distribution of net assets for Texas Regional Entity of (\$1,034,251).