

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)

2012

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 2012 calendar year, or tax year beginning 01/01, 2012, and ending 12/31, 20 12

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, town or post office, state, and ZIP code
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 \$ 277,685,830

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)

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

H(c) Group exemption number ▶

Part I Summary

| | | | | |
|-----------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------|
| Activities & Governance | 1 | Briefly describe the organization's mission or most significant activities: <u>See Schedule O</u> | | |
| | 2 | Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets. | | |
| | 3 | Number of voting members of the governing body (Part VI, line 1a) | 3 | 15 |
| | 4 | Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 13 |
| | 5 | Total number of individuals employed in calendar year 2012 (Part V, line 2a) | 5 | 691 |
| | 6 | Total number of volunteers (estimate if necessary) | 6 | 18 |
| | 7a | Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 0 |
| b | Net unrelated business taxable income from Form 990-T, line 34 | 7b | 0 | |
| Revenue | 8 | Contributions and grants (Part VIII, line 1h) | Prior Year 51,244,352 | Current Year 45,233,283 |
| | 9 | Program service revenue (Part VIII, line 2g) | 229,368,285 | 232,021,629 |
| | 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | -784,294 | 358,915 |
| | 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 17,464 | 72,003 |
| | 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 279,845,807 | 277,685,830 |
| Expenses | 13 | Grants and similar amounts paid (Part IX, column (A), lines 1–3) | 0 | 0 |
| | 14 | Benefits paid to or for members (Part IX, column (A), line 4) | 0 | 0 |
| | 15 | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) | 69,754,157 | 73,032,233 |
| | 16a | Professional fundraising fees (Part IX, column (A), line 11e) | 0 | 0 |
| | b | Total fundraising expenses (Part IX, column (D), line 25) ▶ 0 | | |
| | 17 | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) | 212,065,172 | 222,364,238 |
| 18 | Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) | 281,819,329 | 295,396,471 | |
| 19 | Revenue less expenses. Subtract line 18 from line 12 | -1,973,522 | -17,710,641 | |
| Net Assets or Fund Balances | 20 | Total assets (Part X, line 16) | Beginning of Current Year 1,085,348,440 | End of Year 1,115,138,679 |
| | 21 | Total liabilities (Part X, line 26) | 1,044,877,174 | 1,089,122,933 |
| | 22 | Net assets or fund balances. Subtract line 21 from line 20 | 40,471,266 | 26,015,746 |

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: Michael Petterson, VP of Finance & Treasury 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 organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations 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 \$ 250,524,443 including grants of \$ 0) (Revenue \$ 232,452,485)

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 **▶** 250,524,443

Part IV Checklist of Required Schedules

| | Yes | No |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 1 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> | | ✓ |
| 2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? | | ✓ |
| 3 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> | | ✓ |
| 4 Section 501(c)(3) organizations. 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> | | |
| 5 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> | | ✓ |
| 6 Did the organization maintain any donor advised funds or any similar funds or accounts for which 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> | | ✓ |
| 7 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> | | ✓ |
| 8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> | | ✓ |
| 9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; 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> | ✓ | |
| 10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> | | ✓ |
| 11 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. | | |
| a 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 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> | | ✓ |
| c 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> | | ✓ |
| d 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> | | ✓ |
| e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> | ✓ | |
| f 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> | ✓ | |
| 12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> | ✓ | |
| 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 and XII is optional</i> | | ✓ |
| 13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> | | ✓ |
| 14a Did the organization maintain an office, employees, or agents outside of the United States? | | ✓ |
| b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i> | | ✓ |
| 15 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> | | ✓ |
| 16 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> | | ✓ |
| 17 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> | | ✓ |
| 18 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> | | ✓ |
| 19 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> | | ✓ |
| 20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> | | ✓ |
| b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | | ✓ |

Part IV Checklist of Required Schedules *(continued)*

| | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> | | ✓ |
| 22 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> | | ✓ |
| 23 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> | ✓ | |
| 24a 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> | | ✓ |
| b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | | |
| c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | | |
| d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | | |
| 25a Section 501(c)(3) and 501(c)(4) organizations. 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> | | ✓ |
| 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> | | ✓ |
| 26 Was a loan to or by a current or former officer, director, trustee, key employee, highest 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> | | ✓ |
| 27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> | | ✓ |
| 28 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): | | |
| a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> | | ✓ |
| b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> | | ✓ |
| c 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> | ✓ | |
| 29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> | | ✓ |
| 30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> | | ✓ |
| 31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> | | ✓ |
| 32 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> | | ✓ |
| 33 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> | | ✓ |
| 34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> | | ✓ |
| 35a Did the organization have a controlled entity within the meaning of section 512(b)(13)? | | ✓ |
| b If "Yes" to line 35a, 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> | | |
| 36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> | | |
| 37 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> | | ✓ |
| 38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O | ✓ | |

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 | | |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|---|--|
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable | 1a | 129 | | |
| b | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable | 1b | 0 | | |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | 1c | ✓ | | |
| 2a | 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 | 2a | 691 | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | 2b | ✓ | | |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | | ✓ | |
| b | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O | 3b | | | |
| 4a | 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)? | 4a | | ✓ | |
| 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. | | | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | 5a | | ✓ | |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | 5b | | ✓ | |
| c | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | 5c | | | |
| 6a | 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 as charitable contributions? | 6a | | ✓ | |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 6b | | | |
| 7 | Organizations that may receive deductible contributions under section 170(c). | | | | |
| a | 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? | 7a | | | |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7b | | | |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7c | | | |
| d | If "Yes," indicate the number of Forms 8282 filed during the year | 7d | | | |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7e | | | |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7f | | | |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7g | | | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | | | |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8 | | | |
| 9 | Sponsoring organizations maintaining donor advised funds. | | | | |
| a | Did the organization make any taxable distributions under section 4966? | 9a | | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | 9b | | | |
| 10 | Section 501(c)(7) organizations. Enter: | | | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12 | 10a | | | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | 10b | | | |
| 11 | Section 501(c)(12) organizations. Enter: | | | | |
| a | Gross income from members or shareholders | 11a | | | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) | 11b | | | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | 12b | | | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O. | 13a | | | |
| 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 | 13b | | | |
| c | Enter the amount of reserves on hand | 13c | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | | ✓ | |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O | 14b | | | |

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 |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------|
| 1a | Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O. | 1a 15 | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 1b 13 | |
| 2 | 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? | 2 | <input checked="" type="checkbox"/> |
| 3 | 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? | 3 | <input checked="" type="checkbox"/> |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | <input checked="" type="checkbox"/> |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | <input checked="" type="checkbox"/> |
| 6 | Did the organization have members or stockholders? | 6 | <input checked="" type="checkbox"/> |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | <input checked="" type="checkbox"/> |
| b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | 7b | <input checked="" type="checkbox"/> |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: | | |
| a | The governing body? | 8a | <input checked="" type="checkbox"/> |
| b | Each committee with authority to act on behalf of the governing body? | 8b | <input checked="" type="checkbox"/> |
| 9 | 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 | 9 | <input checked="" type="checkbox"/> |

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

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

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed ► None
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 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

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 (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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 | ✓ | | | | | 80,250 | 0 | 0 | |
| Craven Crowell Director | 25 | ✓ | | | | | 99,800 | 0 | 0 | |
| Andrew Dalton Director | 6 | ✓ | | | | | 0 | 0 | 0 | |
| Mark Dreyfus Director | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Karl Pfirrmann Director | 5 | ✓ | | | | | 87,000 | 0 | 0 | |
| Nick Fehrenbach Director | 8 | ✓ | | | | | 0 | 0 | 0 | |
| Scott Prochazka Director | 4 | ✓ | | | | | 0 | 0 | 0 | |
| Michehl Gent Director | 14 | ✓ | | | | | 72,927 | 0 | 0 | |
| Sheri Givens Director | 8 | ✓ | | | | | 0 | 0 | 0 | |
| Eric Hendrick Director | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Clifton Karnei Director | 6 | ✓ | | | | | 0 | 0 | 0 | |
| Donna Nelson Director | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Jean Ryall Porter Director | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Judy Walsh Director | 5 | ✓ | | | | | 89,417 | 0 | 0 | |

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

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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 | | | |
| Kevin Gresham Director | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Mark Carpenter Segment Alternate | 6 | ✓ | | | | | 0 | 0 | 0 | |
| Jeff Brown Segment Alternate | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Shannon Bowling Segment Alternate | 6 | ✓ | | | | | 0 | 0 | 0 | |
| Michael Packard Segment Alternate | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Carolyn Shellman Segment Alternate | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Barbara Clemenhagen Segment Alternate | 5 | ✓ | | | | | 0 | 0 | 0 | |
| Ray Schwertner Segment Alternate-term ended on 7/31/2012 | 5 | ✓ | | | | | 0 | 0 | 0 | |
| HB Doggett President and CEO; Director | 45 | ✓ | | ✓ | | | 462,347 | 0 | 54,229 | |
| Charles Manning VP, Human Resources & CCO | 45 | | | ✓ | | | 270,266 | 0 | 51,539 | |
| Mark Ruane VP, Credit and Enterprise Risk Management | 45 | | | ✓ | | | 229,362 | 0 | 37,058 | |
| William Magness VP, General Counsel & Corporate Secretary | 45 | | | ✓ | | | 307,325 | 0 | 56,651 | |
| Harold Kent Saathoff VP, Grid Operations and System Planning | 45 | | | ✓ | | | 244,871 | 0 | 54,602 | |
| Jerome Dreyer VP & CIO | 45 | | | ✓ | | | 247,307 | 0 | 53,559 | |

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

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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 | | | |
| Vickie Leady Assistant Corporate Secretary & Assistant General | 45 | | | ✓ | | | | 150,650 | 0 | 43,105 |
| Michael Petterson VP, Finance & Treasury | 45 | | | ✓ | | | | 217,489 | 0 | 49,164 |
| Sallie Betty Day VP, Business Integration | 45 | | | ✓ | | | | 222,495 | 0 | 53,577 |
| Cheryl Yager Director, Credit | 45 | | | | ✓ | | | 172,896 | 0 | 17,131 |
| Steven Grendel Director, Facilities & Site Development | 45 | | | | ✓ | | | 191,320 | 0 | 45,820 |
| William Lowe Director, Project Management | 45 | | | | ✓ | | | 160,200 | 0 | 34,230 |
| David Forfia Director, IT Architecture | 45 | | | | | ✓ | | 201,705 | 0 | 49,209 |
| Matthew Morais Assistant General Counsel | 45 | | | | | ✓ | | 191,591 | 0 | 27,412 |
| William Wullenjohn Sr Director, Internal Audit | 45 | | | | | ✓ | | 173,133 | 0 | 45,819 |
| Chad Seely Assistant General Counsel | 45 | | | | | ✓ | | 180,722 | 0 | 35,423 |
| Dan Woodfin Director, Grid Operations | 45 | | | | | ✓ | | 174,679 | 0 | 39,087 |
| Michael Cleary Former Senior VP & COO | 0 | | | | | | ✓ | 206,808 | 0 | 0 |
| | | | | | | | | | | |
| | | | | | | | | | | |

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

| (A) Name and title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (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 | | | |
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| | | | | | | | | | | |
| 1b Sub-total | | | | | | | 4,434,560 | 0 | 747,615 | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | 4,434,560 | 0 | 747,615 | |

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶ 163**

| | Yes | No | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|---|
| 3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | 3 | ✓ | |
| 4 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> | 4 | ✓ | |
| 5 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> | 5 | | ✓ |

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. Report compensation for the calendar year ending with or within the organization's tax year.

| (A) Name and business address | (B) Description of services | (C) Compensation |
|------------------------------------------------------------------------------------------|--------------------------------|---------------------|
| Allegis Group Services Inc, 7301 Parkway Drive, Hanover, MD 21076 | Contingent workforce | 8,558,282 |
| Potomac Economics Ltd, 9990 Fairfax Blvd, Suite 560, Fairfax, VA 22030 | Independent mkt monitor | 3,008,333 |
| ABB Inc, 1601 Industrial Blvd, Sugarland, TX 77478-2579 | IT consulting | 2,444,310 |
| Navigant Consulting (PI) LLC, 98 San Jacinto, Suite 900, Austin, TX 7870 | Nodal audit services | 2,164,575 |
| The Brattle Group Inc, 44 Brattle Street, Cambridge, MA 02138 | Market consulting | 436,668 |

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **▶ 30**

Part VIII Statement of Revenue

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

| | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512, 513, or 514 | |
|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------|----------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------|--|
| Contributions, Gifts, Grants and Other Similar Amounts | 1a Federated campaigns | 1a 0 | | | | | |
| | b Membership dues | 1b 327,150 | | | | | |
| | c Fundraising events | 1c 0 | | | | | |
| | d Related organizations | 1d 0 | | | | | |
| | e Government grants (contributions) | 1e 44,906,133 | | | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above | 1f 0 | | | | | |
| | g Noncash contributions included in lines 1a-1f: \$ | 0 | | | | | |
| | h Total. Add lines 1a-1f | ▶ | 45,233,283 | | | | |
| Program Service Revenue | Business Code | | | | | | |
| | 2a <u>Electric reliability revenue</u> | 221000 | 232,021,629 | 232,021,629 | 0 | 0 | |
| | b ----- | | | | | | |
| | c ----- | | | | | | |
| | d ----- | | | | | | |
| | e ----- | | | | | | |
| | f All other program service revenue . | | 0 | 0 | 0 | 0 | |
| g Total. Add lines 2a-2f | ▶ | 232,021,629 | | | | | |
| Other Revenue | 3 Investment income (including dividends, interest, and other similar amounts) | ▶ | 2,505 | 2,443 | 0 | 62 | |
| | 4 Income from investment of tax-exempt bond proceeds ▶ | | 0 | 0 | 0 | 0 | |
| | 5 Royalties | ▶ | 0 | 0 | 0 | 0 | |
| | 6a Gross rents | (i) Real | 0 | | | | |
| | | (ii) Personal | 0 | | | | |
| | | b Less: rental expenses | 0 | | | | |
| | | c Rental income or (loss) | 0 | | | | |
| | d Net rental income or (loss) | ▶ | 0 | 0 | 0 | 0 | |
| | 7a Gross amount from sales of assets other than inventory | (i) Securities | 0 | | | | |
| | | (ii) Other | 356,410 | | | | |
| | | b Less: cost or other basis and sales expenses | 0 | | | | |
| | | c Gain or (loss) | 0 | | | | |
| | d Net gain or (loss) | ▶ | 356,410 | 356,410 | 0 | 0 | |
| | 8a Gross income from fundraising events (not including \$ 0 of contributions reported on line 1c). See Part IV, line 18 | a | | | | | |
| | | b Less: direct expenses | b | | | | |
| | | c Net income or (loss) from fundraising events . ▶ | | | | | |
| | 9a Gross income from gaming activities. See Part IV, line 19 | a | | | | | |
| b Less: direct expenses | | b | | | | | |
| c Net income or (loss) from gaming activities . . ▶ | | | | | | | |
| 10a Gross sales of inventory, less returns and allowances | a | | | | | | |
| | b Less: cost of goods sold | b | | | | | |
| | c Net income or (loss) from sales of inventory . . ▶ | | | | | | |
| Miscellaneous Revenue | | Business Code | | | | | |
| 11a <u>Non-operating income (other)</u> | 900099 | 72,003 | 72,003 | 0 | 0 | | |
| b ----- | | | | | | | |
| c ----- | | | | | | | |
| d All other revenue | | 0 | 0 | 0 | 0 | | |
| e Total. Add lines 11a-11d | ▶ | 72,003 | | | | | |
| 12 Total revenue. See instructions. | ▶ | 277,685,830 | 232,452,485 | 0 | 62 | | |

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).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.

| | (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 United States. See Part IV, line 21 | 0 | 0 | | |
| 2 Grants and other assistance to individuals in the United States. See Part IV, line 22 | 0 | 0 | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the United States. 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 | 4,064,604 | 1,789,481 | 2,275,123 | 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 | 50,416,032 | 43,807,898 | 6,608,134 | 0 |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) | 7,446,138 | 6,765,340 | 680,798 | 0 |
| 9 Other employee benefits | 6,075,852 | 4,903,099 | 1,172,753 | 0 |
| 10 Payroll taxes | 5,029,607 | 4,439,203 | 590,404 | 0 |
| 11 Fees for services (non-employees): | | | | |
| a Management | 0 | 0 | 0 | 0 |
| b Legal | 301,205 | 270 | 300,935 | 0 |
| c Accounting | 1,351,336 | 20,000 | 1,331,336 | 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. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) | 10,009,903 | 8,922,355 | 1,087,548 | 0 |
| 12 Advertising and promotion | 0 | 0 | 0 | 0 |
| 13 Office expenses | 1,046,910 | 621,192 | 425,718 | 0 |
| 14 Information technology | 3,643,121 | 3,557,055 | 86,066 | 0 |
| 15 Royalties | 0 | 0 | 0 | 0 |
| 16 Occupancy | 7,791,496 | 0 | 7,791,496 | 0 |
| 17 Travel | 855,497 | 592,799 | 262,698 | 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 | 999,426 | 729,422 | 270,004 | |
| 20 Interest | 3,340,040 | 0 | 3,340,040 | 0 |
| 21 Payments to affiliates | 0 | 0 | 0 | 0 |
| 22 Depreciation, depletion, and amortization | 33,655,778 | 29,007,915 | 4,647,863 | 0 |
| 23 Insurance | 1,813,905 | 1,806,741 | 7,164 | |
| 24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.) | | | | |
| a <u>Amortization of regulatory asset</u> | 122,645,476 | 122,645,476 | 0 | |
| b <u>Hardware and software expenses</u> | 19,846,046 | 19,621,705 | 224,341 | 0 |
| c <u>Reliability organization assessment</u> | 13,062,261 | 0 | 13,062,261 | 0 |
| d <u>Professional fees</u> | 1,942,838 | 1,292,733 | 650,105 | 0 |
| e All other expenses | 59,000 | 1,759 | 57,241 | 0 |
| 25 Total functional expenses. Add lines 1 through 24e | 295,396,471 | 250,524,443 | 44,872,028 | 0 |
| 26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) | | | | |

Part X Balance Sheet

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

| | | (A) | | (B) | |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------|---------------|-------------|
| | | Beginning of year | | End of year | |
| Assets | 1 Cash—non-interest-bearing | 48,722,290 | 1 | 2,706,497 | |
| | 2 Savings and temporary cash investments | 611,965,097 | 2 | 788,431,145 | |
| | 3 Pledges and grants receivable, net | 61,520 | 3 | 289,565 | |
| | 4 Accounts receivable, net | 19,546,895 | 4 | 9,943,217 | |
| | 5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L | 0 | 5 | 0 | |
| | 6 Loans and other 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). Complete Part II of Schedule L | 0 | 6 | 0 | |
| | 7 Notes and loans receivable, net | 0 | 7 | 0 | |
| | 8 Inventories for sale or use | 0 | 8 | 0 | |
| | 9 Prepaid expenses and deferred charges | 18,264,719 | 9 | 14,969,919 | |
| | 10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 790,549,853 | | | |
| | b Less: accumulated depreciation | 492,311,738 | 386,460,964 | 10c | 298,238,115 |
| | 11 Investments—publicly traded securities | 0 | 11 | 0 | |
| | 12 Investments—other securities. See Part IV, line 11 | 0 | 12 | 0 | |
| | 13 Investments—program-related. See Part IV, line 11 | 0 | 13 | 0 | |
| | 14 Intangible assets | 0 | 14 | 0 | |
| | 15 Other assets. See Part IV, line 11 | 326,955 | 15 | 560,221 | |
| 16 Total assets. Add lines 1 through 15 (must equal line 34) | 1,085,348,440 | 16 | 1,115,138,679 | | |
| Liabilities | 17 Accounts payable and accrued expenses | 18,781,988 | 17 | 10,423,452 | |
| | 18 Grants payable | 0 | 18 | 0 | |
| | 19 Deferred revenue | 3,649,008 | 19 | 3,282,154 | |
| | 20 Tax-exempt bond liabilities | 0 | 20 | 0 | |
| | 21 Escrow or custodial account liability. Complete Part IV of Schedule D | 296,762,366 | 21 | 330,150,888 | |
| | 22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L | 0 | 22 | 0 | |
| | 23 Secured mortgages and notes payable to unrelated third parties | 192,237,333 | 23 | 106,267,000 | |
| | 24 Unsecured notes and loans payable to unrelated third parties | 0 | 24 | 0 | |
| | 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D | 533,446,479 | 25 | 638,999,439 | |
| | 26 Total liabilities. Add lines 17 through 25 | 1,044,877,174 | 26 | 1,089,122,933 | |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. | | | | |
| | 27 Unrestricted net assets | 40,471,266 | 27 | 26,015,746 | |
| | 28 Temporarily restricted net assets | 0 | 28 | 0 | |
| | 29 Permanently restricted net assets | 0 | 29 | 0 | |
| | Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34. | | | | |
| | 30 Capital stock or trust principal, or current funds | | 30 | | |
| | 31 Paid-in or capital surplus, or land, building, or equipment fund | | 31 | | |
| | 32 Retained earnings, endowment, accumulated income, or other funds | | 32 | | |
| 33 Total net assets or fund balances | 40,471,266 | 33 | 26,015,746 | | |
| 34 Total liabilities and net assets/fund balances | 1,085,348,440 | 34 | 1,115,138,679 | | |

Part XI Reconciliation of Net Assets

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

| | | | |
|-----------|----------------------------------------------------------------------------------------------------------------|-----------|-------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 277,685,830 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 295,396,471 |
| 3 | Revenue less expenses. Subtract line 2 from line 1 | 3 | -17,710,641 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 40,471,266 |
| 5 | Net unrealized gains (losses) on investments | 5 | 0 |
| 6 | Donated services and use of facilities | 6 | 0 |
| 7 | Investment expenses | 7 | 0 |
| 8 | Prior period adjustments | 8 | 0 |
| 9 | Other changes in net assets or fund balances (explain in Schedule O) | 9 | 3,255,121 |
| 10 | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 26,015,746 |

Part XII Financial Statements and Reporting

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

| | Yes | No |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| 1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | | <input checked="" type="checkbox"/> |
| b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | <input checked="" type="checkbox"/> | |
| 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. | <input checked="" type="checkbox"/> | |
| 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? | <input checked="" type="checkbox"/> | |
| 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 | | <input checked="" type="checkbox"/> |

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, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

OMB No. 1545-0047

2012

Open to Public Inspection

Name of the organization: ELECTRIC RELIABILITY COUNCIL OF TEXAS INC Employer identification number: 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 XIII, 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: Amounts. 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 XIII, the text of the footnote to its financial statements that describes these items. b 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 XIII.

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 XIII and complete the following table:

| | Amount |
|-----------------------------------------|--------|
| 1c Beginning balance | |
| 1d Additions during the year | |
| 1e Distributions during the year | |
| 1f 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 XIII. Check here if the explanation has been provided in Part XIII

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 |
|---------------------------------------------------------|------------------|----------------|--------------------|----------------------|---------------------|
| 1a Beginning of year balance | | | | | |
| b Contributions | | | | | |
| c Net investment earnings, gains, and losses | | | | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | | | | | |
| g End of year balance | | | | | |

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment ▶%
- b** Permanent endowment ▶%
- c** Temporarily restricted endowment ▶%

The percentages in lines 2a, 2b, and 2c should equal 100%.

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

- (i)** unrelated organizations
- (ii)** related organizations

| | Yes | No |
|---------------|-----|----|
| 3a(i) | | |
| 3a(ii) | | |
| 3b | | |

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

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

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

| Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---------------------------------|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | 0 | 947,096 | | 947,096 |
| b Buildings | 0 | 80,231,888 | 22,377,149 | 57,854,739 |
| c Leasehold improvements | 0 | 8,171,457 | 8,135,050 | 36,407 |
| d Equipment | 0 | 106,931,832 | 79,248,685 | 27,683,147 |
| e Other | 0 | 594,267,580 | 382,550,854 | 211,716,726 |

Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶ 298,238,115

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) ----- | | |
| Total. (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) | | |
| Total. (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) | |
| Total. (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) Book value | |
|-----------------------------------------------------------------------------|--------------------|--|
| (1) Federal income taxes | | |
| (2) Security Deposits | 471,875,951 | |
| (3) Deferred Regulatory Liability - NODAL | 166,724,394 | |
| (4) Accrued Post Benefit Obligation | 349,440 | |
| (5) Deferred Rent Credits | 49,654 | |
| (6) | | |
| (7) | | |
| (8) | | |
| (9) | | |
| (10) | | |
| (11) | | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶ | 638,999,439 | |

2. FIN 48 (ASC 740) Footnote. In Part XIII, 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). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

| | | | | |
|----------|----------------------------------------------------------------------------------------------------------|-----------|-----------|-------------|
| 1 | Total revenue, gains, and other support per audited financial statements | | 1 | 280,921,023 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12: | | | |
| a | Net unrealized gains on investments | 2a | 0 | |
| b | Donated services and use of facilities | 2b | 0 | |
| c | Recoveries of prior year grants | 2c | 0 | |
| d | Other (Describe in Part XIII.) | 2d | 3,235,193 | |
| e | Add lines 2a through 2d | 2e | 3,235,193 | |
| 3 | Subtract line 2e from line 1 | | 3 | 277,685,830 |
| 4 | Amounts included on Form 990, Part VIII, line 12, but not on line 1 : | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 0 | |
| b | Other (Describe in Part XIII.) | 4b | 0 | |
| c | Add lines 4a and 4b | 4c | 0 | |
| 5 | Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.) | | 5 | 277,685,830 |

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | | | |
|----------|-----------------------------------------------------------------------------------------------------------|-----------|----------|-------------|
| 1 | Total expenses and losses per audited financial statements | | 1 | 295,376,544 |
| 2 | Amounts included on line 1 but not on Form 990, Part IX, line 25: | | | |
| a | Donated services and use of facilities | 2a | 0 | |
| b | Prior year adjustments | 2b | 0 | |
| c | Other losses | 2c | 0 | |
| d | Other (Describe in Part XIII.) | 2d | 0 | |
| e | Add lines 2a through 2d | 2e | 0 | |
| 3 | Subtract line 2e from line 1 | | 3 | 295,376,544 |
| 4 | Amounts included on Form 990, Part IX, line 25, but not on line 1 : | | | |
| a | Investment expenses not included on Form 990, Part VIII, line 7b | 4a | 0 | |
| b | Other (Describe in Part XIII.) | 4b | 19,927 | |
| c | Add lines 4a and 4b | 4c | 19,927 | |
| 5 | Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.) | | 5 | 295,396,471 |

Part XIII 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, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Schedule D, Part IV, Line 2b - 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 X, Line 2 - ERCOT is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(4). The Company is also exempt from state income taxes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the financial statements.

Schedule D, Part XI, Line 2d - Other \$3,235,193 represents a derivative valuation change of \$3,235,193 under FASB ASC 815 Derivatives and Hedging Topic.

Part XIII - Supplemental Information (Continued)

Schedule D, Part XII, Line 4b - \$19,927 relates to deferred pension costs.

**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

2012

**Open to Public
Inspection**

ELECTRIC RELIABILITY COUNCIL OF TEXAS INC

Employer identification number

74-2587416

Part I Questions Regarding Compensation

| | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----|
| 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 type="checkbox"/> Travel for companions <input type="checkbox"/> Tax indemnification and gross-up payments <input type="checkbox"/> Discretionary spending account <input type="checkbox"/> Housing allowance or residence for personal use <input type="checkbox"/> Payments for business use of personal residence <input type="checkbox"/> Health or social club dues or initiation fees <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 | 1b | |
| 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? | 2 | |
| 3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <input checked="" type="checkbox"/> Compensation committee <input checked="" type="checkbox"/> Independent compensation consultant <input checked="" type="checkbox"/> Form 990 of other organizations <input checked="" type="checkbox"/> Written employment contract <input checked="" type="checkbox"/> Compensation survey or study <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? | 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 | |

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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

| (A) Name and Title | | (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 as deferred in prior Form 990 |
|---------------------------------------------------------------------------|------|----------------------------------------------------|-------------------------------------|-------------------------------------|------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------------------|
| | | (i) Base compensation | (ii) Bonus & incentive compensation | (iii) Other reportable compensation | | | | |
| 1 HB Doggett, President and CEO; Director | (i) | 462,347 | 0 | 0 | 35,423 | 18,806 | 516,576 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Charles Manning, VP, Human Resources & CCO | (i) | 270,266 | 0 | 0 | 30,422 | 21,117 | 321,805 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Mark Ruane, VP, Credit and Enterprise Risk Management | (i) | 229,362 | 0 | 0 | 30,776 | 6,282 | 266,420 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 William Magness, VP, General Counsel & Corporate Secretary | (i) | 307,325 | 0 | 0 | 33,000 | 23,651 | 363,976 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Harold Kent Saathoff, VP, Grid Operations and System Planning | (i) | 244,871 | 0 | 0 | 34,328 | 20,273 | 299,472 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Jerome Dreyer, VP & CIO | (i) | 247,307 | 0 | 0 | 35,587 | 17,972 | 300,866 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Vickie Leady, Assistant Corporate Secretary & Assistant General Counsel | (i) | 150,650 | 0 | 0 | 20,794 | 22,311 | 193,755 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 Michael Petterson, VP, Finance & Treasury | (i) | 217,489 | 0 | 0 | 31,217 | 17,947 | 266,653 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 Sallie Betty Day, VP, Business Integration | (i) | 221,815 | 680 | 0 | 32,774 | 20,803 | 276,072 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Michael Cleary, Former Senior VP & COO | (i) | 44,152 | 0 | 162,656 | 0 | 0 | 206,808 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 Cheryl Yager, Director, Credit | (i) | 75,482 | 0 | 97,414 | 10,979 | 6,152 | 190,027 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Steven Grendel, Director, Facilities & Site Development | (i) | 190,912 | 408 | 0 | 27,831 | 17,990 | 237,141 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 David Forfia, Director, IT Architecture | (i) | 199,938 | 1,768 | 0 | 28,249 | 20,960 | 250,915 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 William Lowe, Director, Project Management | (i) | 158,622 | 1,578 | 0 | 23,273 | 10,957 | 194,430 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 Matthew Morais, Assistant General Counsel | (i) | 191,591 | 0 | 0 | 21,092 | 6,321 | 219,004 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 William Wullenjohn Sr, Director, Internal Audit | (i) | 173,133 | 0 | 0 | 25,498 | 20,321 | 218,952 | 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, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Schedule J, Part I, Line 4 - Michael Cleary, former senior VP & COO, received a severance payment of \$162,656. Cheryl Yager, Director of Credit, received a severance payment of \$97,414.

Schedule J, Part I, Line 7 - 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

2012

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) Relationship between disqualified person and organization | (c) Description of transaction | (d) Corrected? | |
|-----|---------------------------------|---------------------------------------------------------------|--------------------------------|----------------|----|
| | | | | Yes | No |
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |
| (5) | | | | | |
| (6) | | | | | |

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

| (a) Name of interested person | (b) Relationship with organization | (c) Purpose of loan | (d) Loan to or from the organization? | | (e) Original principal amount | (f) Balance due | (g) In default? | | (h) Approved by board or committee? | | (i) Written agreement? | |
|-------------------------------|------------------------------------|---------------------|---------------------------------------|------|-------------------------------|-----------------|-----------------|----|-------------------------------------|----|------------------------|----|
| | | | To | From | | | Yes | No | Yes | No | Yes | No |
| | | | (1) | | | | | | | | | |
| (2) | | | | | | | | | | | | |
| (3) | | | | | | | | | | | | |
| (4) | | | | | | | | | | | | |
| (5) | | | | | | | | | | | | |
| (6) | | | | | | | | | | | | |
| (7) | | | | | | | | | | | | |
| (8) | | | | | | | | | | | | |
| (9) | | | | | | | | | | | | |
| (10) | | | | | | | | | | | | |
| Total ▶ | | | | | | \$ | | | | | | |

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 of assistance | (d) Type of assistance | (e) Purpose 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 Cooperative Inc | See Part V Below | 186,673,328 | See Part V Below | | ✓ |
| (2) South Texas Electric Cooperative | See Part V Below | 50,191,141 | See Part V Below | | ✓ |
| (3) | | | | | |
| (4) | | | | | |
| (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 - 1(b) Clifton Karnei was a 2012 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) Michael Packard was a 2012 Board Member (Segment Alternate Cooperative Segment), of ERCOT and also the General Manager of South Texas Electric Cooperative Inc. 2(d) Payment of ancillary service fees and membership fees. 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

2012

**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 - 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 load. 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 \$34 billion competitive wholesale bulk-power market and administers customer switching for 6.7 million premises in competitive choice areas.

Form 990, Part III, Line 1 - Effective as of January 1, 2012: We serve the public by ensuring a reliable grid, efficient electricity markets, open access and retail choice.

Form 990, Part VI, Section A, Line 1a - Pursuant to Section 39.151 of the Texas Public Utility Regulatory Act, the ERCOT Board of Directors is composed of sixteen members. 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 industry in the ERCOT electricity market; each such "market segment director" has an elected alternate (segment alternate) who can attend meetings in the absence of the market segment director and vote on the absent market segment director's behalf in the event that such market segment director cannot attend a board meeting. Three of the other voting directors represent subsegments of a seventh segment (i.e., the consumer segment), but they do not have any respective segment alternates.

Form 990, Part VI, Section A, Line 6 - As of December 31, 2012, ERCOT's membership included 306 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 subsegments including 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 - Thirteen of the fifteen voting members of the ERCOT Board of Directors are elected, or appointed in limited circumstances, by the Corporate Members or a portion of such Corporate Members. With respect to each of the six market segment directors who do not represent the consumer subsegments, only the Corporate Members of the membership segment represented by the market segment 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 the Board who is designated to represent residential consumers and small commercial consumers; (ii) one is elected or appointed 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 - 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 11b - The 2012 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 provided to the Board of Directors in advance of, and for its consideration and input at, its meeting on July 16, 2013. The final version of the 2012 Form 990, incorporating the comments of all of the foregoing, was then filed with the Internal Revenue Service.

Supplemental Information (Continued)

Form 990, Part VI, Section B, Line 12c - 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 directors 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 - 15a In determining compensation for the Chief Executive Officer, ERCOT follows a procedure which ensures that (i) compensation is approved in advance by the HR&G Committee of the Board of Directors and the Board itself, (ii) the Board and the HR&G Committee obtains and relies upon appropriate data for comparability, (iii) the Board and the HR&G Committee each adequately documents the basis for its respective determination, and (iv) the Public Utility Commission of Texas reviews and approves of any compensation to be paid to the Chief Executive Officer. 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 by all uninterested members of the Board of the Directors (that is, all Board members except the Chief Executive Officer who is required to abstain from such vote). 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 organizations 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 HR&G 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 except in those limited instances in which the compensation has been determined pursuant to the provisions of an employment agreement for a term exceeding a year between ERCOT and the Chief Executive Officer, which has been approved by the Board of Directors, and all decisions regarding the Chief Executive Officer's compensation are documented and maintained. Furthermore, the Public Utility Commission of Texas Substantive Rules related to ERCOT governance require that the Public Utility Commission of Texas review and approve all compensation to be paid to the Chief Executive Officer. 15b 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 the HR&G Committee of the Board of Directors, (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. The HR&G Committee can request information from independent compensation consultants. Officer and key employee compensation is reviewed annually, and all decisions regarding officer and key employee compensation are documented and maintained.

Form 990, Part VI, Section C, Line 19 - 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 VIII, Line 1e - 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 2012, ERCOT recorded \$871,946 of revenue from the DOE. Of this, \$289,565 was a receivable for funds expended in 2012 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.

Supplemental Information (Continued)

Form 990, Part VIII, Line 7a - The \$356,410 is comprised of \$97,867 for proceeds from disposed equipment and a gain of \$258,543.

Form 990, Part XI, Line 9 - Other changes in net assets of \$3,255,121 represent a derivative valuation change of \$3,235,193 under FASB ASC 815 Derivatives and Hedging Topic, deferred pension costs of \$19,927 and \$1 in rounding.

Form 990, Part XII, Line 3b - 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 2012, ERCOT expended more than \$500,000 under the grants. Therefore, ERCOT was required to undergo an audit as set forth in the Single Audit Act and OMB Circular A-133. Per the OMB Circular A-133, the audit must be completed within nine months after the end of the audit period. For the 2012 expenditures, an audit was performed and the report was filed by July 31, 2013.