



**The Finance & Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 5:**

***Recommendation regarding  
Acceptance of ERCOT's 401(k) Savings Plan  
Audit Report***

**at its meeting on August 9, 2021.**

**The Board of Directors is expected to hear  
the F&A Committee's recommendation on  
this matter as part of the F&A Committee  
Report at the Board meeting on  
August 10, 2021.**

**Attached are the Board and Committee  
materials in relation to these agenda items.**



## **Item 5: Recommendation regarding Acceptance of ERCOT's 401(k) Savings Plan Audit Report**

*Dawn Herms*  
Manager of HR Operations

Urgent Finance & Audit Committee Meeting

ERCOT Public  
August 9, 2021

# Recommendation Regarding Acceptance of 401(k) Savings Plan Audit Report

## Background

- ERCOT maintains an Employee Retirement Income Security Act of 1974 (ERISA)-qualified 401(k) savings plan for employees.
- ERISA requires plan sponsors submit Department of Labor Form 5500, Annual Return/Report of Employee Benefit Plan, which includes audited financial statements.

## ERCOT 401(k) Savings Plan Overview for Plan Year 2020

Total Assets as of December 31, 2020	Total Assets as of December 31, 2019	
\$291,980,385	\$348,341,046	
Withdrawal Type	# Reported for ERCOT	Total Assets
Distribution after Term	43	\$10,003,499
Age 59 ½	28	\$7,208,017
Installment Payments	2	\$30,000



## Plan Year 2020 Cares Act Provisions

On December 31, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES) ended. The CARES Act was previously signed into law on March 27, 2020. Under this legislation, qualified retirement plans had the option to elect to allow specific withdrawal and loan provisions and temporarily waive Minimum Required Distributions (MRDs). ERCOT elected to allow the CARES Act Withdrawal and temporarily waive MRDs.

CARES Act Provision	# Reported for ERCOT	Total Assets
Withdrawals	15	\$714,204
Waived MRDs	0	\$0

## Request for Vote

**ERCOT staff recommends that the ERCOT Finance and Audit Committee recommend that the ERCOT Board of Directors accept the audited financial statements for the ERCOT 401(k) Savings Plan as of December 31, 2020.**

**<VOTE in General Session>**



**Date:** August 3, 2021  
**To:** Board of Directors  
**From:** Nick Fehrenbach, Finance and Audit (F&A) Committee Chairman  
**Subject:** Acceptance of ERCOT's 401(k) Savings Plan Audit Report

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** August 10, 2021

**Item No.:** 9.1

**Issue:**

Acceptance of the audited financial statements of Electric Reliability Council of Texas, Inc.'s (ERCOT's) 401(k) Savings Plan (401(k) Plan), as of December 31, 2020.

**Background/History:**

ERCOT maintains a 401(k) retirement savings plan for its employees, qualified under the Employee Retirement Income Security Act (ERISA). Pursuant to ERISA, plan sponsors must annually file Form 5500 with the U.S. Department of Labor. The required filing must include the Plan's audited financial statements.

On October 9, 2018, the Board approved an extension of services with Maxwell Locke & Ritter LLP (MLR) to provide 401(k) Plan audit services for calendar years 2018, 2019 and 2020, subject to the annual approval of the Board for 2019 and 2020. On August 11, 2020, the Board approved MLR to provide 401(k) Plan audit services for calendar year 2020. Based on this approval, ERCOT engaged MLR to provide 401(k) Plan audit services for the calendar year ending December 31, 2020.

It is expected that on August 9, 2021, representatives of MLR will meet with the F&A Committee to discuss the proposed final audit report for the ERCOT 401(k) Plan, as of December 31, 2020.

The F&A Committee is expected to recommend that the Board accept the 2020 audited financial statements for the ERCOT 401(k) Plan, as of December 31, 2020, as prepared by MLR, during its meeting.

A draft of the final audit report for the ERCOT 401(k) Plan, as of December 31, 2020, prepared by MLR, and submitted for the Board's acceptance, is attached hereto as **Exhibit A.**

**Key Factors Influencing Issue:**

- The ERISA reporting requirements and filing requirements for the annual Form 5500 for ERCOT's 401(k) Plan. The 401(k) Plan's books and records must be audited by an independent auditor, and a copy of the audit report supplied with Form 5500. The 2020 filing is due no later than October 15, 2021;

- The draft report attached hereto reflects no findings indicating material issues with the administration of the 401(k) Plan, and the expectation that the F&A Committee will recommend approval of same; and
- The expectation that MLR will issue a final opinion consistent with the draft version attached hereto as **Exhibit A**.

**Conclusion/Recommendation:**

The F&A Committee is expected to review the final audited statements for ERCOT's 401(k) Plan prepared by MLR, as of December 31, 2020, at its meeting on August 9, 2021, and is expected to recommend that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2020, as presented in draft form by MLR, attached hereto as **Exhibit A**.



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

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) provided a 401(k) Savings Plan (401(k) Plan) as a benefit for its eligible employees during the fiscal year 2020;

WHEREAS, Employee Retirement Income Security Act rules and regulations also require an annual financial statement audit of benefits plans such as the 401(k) Plan;

WHEREAS, in October 2018, the ERCOT Board of Directors (Board) selected Maxwell, Locke & Ritter LLP (MLR) to provide 401(k) Plan audit services for the calendar years 2018, 2019 and 2020, subject to the annual approval of the Board for 2019 and 2020, and in August 2020, the Board selected MLR to provide 401(k) Plan audit services for calendar year 2020;

WHEREAS, MLR has issued an opinion acceptable to this Board in connection with its audit of ERCOT's 2020 financial statement for the 401(k) Plan;

WHEREAS, after due consideration of the alternatives, the F&A Committee has considered and recommended that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2020, as presented by MLR, at its meeting of August 9, 2021; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee's recommendation to accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2020, as presented by MLR;

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2020, as presented by MLR.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 10, 2021 urgent meeting by teleconference, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of August, 2021.

\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary



**Electric Reliability  
Council of Texas  
401(k) Savings Plan**

**Financial Statements as of  
December 31, 2020 and 2019 and  
for the Year Ended  
December 31, 2020 and  
Independent Auditors' Report**

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2020 and 2019, and the related statement of changes in net assets available for benefits for the year ended December 31, 2020, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

**Basis for Disclaimer of Opinion**

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2020 and 2019, and for the year ended December 31, 2020, that the information provided to the Plan administrator by the trustee is complete and accurate.

**Disclaimer of Opinion**

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

**Other Matter**

The supplemental schedule, Schedule of Assets Held at End of Year, as of December 31, 2020 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

**Report on Form and Content in Compliance with DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Austin, Texas

July xx, 2021

# Electric Reliability Council of Texas 401(k) Savings Plan

## Statements of Net Assets Available for Benefits December 31, 2020 and 2019

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	2020	2019
<b>Assets:</b>		
Investments at fair value	\$ 341,551,994	\$ 289,567,454
Notes receivable from participants	3,902,981	4,057,972
Cash	2,886,071	2,412,932
<b>Net Assets Available for Benefits</b>	<b>\$ 348,341,046</b>	<b>\$ 296,038,358</b>

See notes to financial statements.

# Electric Reliability Council of Texas 401(k) Savings Plan

## Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2020

### Additions to Net Assets Attributed to:

#### Contributions:

Employer, net of forfeitures	\$ 13,385,215
Participant	8,739,615
Rollover	1,859,111

Total contributions	23,983,941
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#### Investment gain:

Net appreciation in fair value of investments	36,606,070
Interest and dividend income	11,670,263

Total investment gain, net	48,276,333
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Interest income on notes receivable from participants	208,577
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Other income	33,267
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Total additions	72,502,118
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### Deductions from Net Assets Attributed to:

Benefits paid to participants	20,079,712
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Administrative expenses	119,718
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Total deductions	20,199,430
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Net increase in net assets available for benefits	52,302,688
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### Net Assets Available for Benefits:

Beginning of year	296,038,358
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End of year	\$ 348,341,046
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See notes to financial statements.

# Electric Reliability Council of Texas 401(k) Savings Plan

## Notes to Financial Statements Year Ended December 31, 2020

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### 1. Description of Plan

The following brief description of Electric Reliability Council of Texas 401(k) Savings Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

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

**Eligibility** - Employees are eligible to participate in the Plan immediately upon the first day of employment. Leased employees and residents of Puerto Rico are not eligible to participate in the Plan.

**Contributions** - Eligible employees have the option to contribute pre-tax and Roth 401(k) contributions. A participant’s contribution may not exceed 99% of his or her eligible compensation, not to exceed the annual limit established by the Internal Revenue Code (“IRC”). Newly eligible employees are automatically enrolled in the Plan with a pre-tax deferral percentage of 3%, unless an employee elects otherwise. The automatic deferral contributions increase annually by 1%, not to exceed 6%, of defined compensation. A participant’s pre-tax and Roth 401(k) contributions are separately accounted for, as are the gains and losses attributable to each. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans.

ERCOT elected to make a discretionary employer matching contribution equal to 75% of the first 6% of contributed compensation. Additionally, ERCOT makes a fixed non-elective employer contribution of 10% of each participant’s plan compensation, as defined. During the year ended December 31, 2020, ERCOT made employer matching and fixed non-elective contributions to the Plan totaling \$13,500,356, excluding forfeitures.

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

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

**Notes Receivable from Participants** - Participants may borrow from their accounts a minimum of \$1,000 and up to a maximum of 1) \$50,000 reduced by the excess, if any, of i) the highest outstanding note receivable balance over the prior twelve month period, over ii) the outstanding note receivable balance on the date the new note receivable is made or 2) 50% of their vested account balance, whichever is less. Participant notes receivable are secured by the vested balance in the participant's account and bear interest at a reasonable interest rate as determined by ERCOT. Participants may have up to two notes receivable outstanding at a time. Notes receivable repayments are deducted through after-tax payroll deductions over a period not to exceed five years, unless the note receivable is for the purchase of a participant's primary residence, in which case the repayment period may not exceed ten years.

**Vesting** - Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in ERCOT's matching contributions plus actual earnings thereon is based on years of continuous service over five years, which increases in 20% increments beginning after one year of continuous service. The fixed non-elective employer contributions plus actual earnings thereon are 100% vested after three years of continuous service. Participants are also fully vested upon death, disability, or retirement.

**Payment of Benefits** - Benefits are generally payable upon age 59.5, disability, death, retirement or termination of employment. Benefits equal to the participant's vested account balance may be paid to a participant or beneficiary by lump sum, annuity, partial withdrawals or rollover into a qualified plan, subject to regulatory requirements. Required minimum distributions are made to certain participants in the absence of other distribution elections. Effective January 1, 2020, pursuant to the Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act"), participants who reach age 70.5 during 2020 or later must take a required minimum distribution by April of the year the participant turns 72 years of age. The Plan administrator may distribute separated participants' account balances that are less than \$1,000 in a lump sum without the participants' consent. The Plan administrator may transfer separated participants' account balances that are at least \$1,000 but less than \$5,000 into an individual retirement account without the participants' consent. In-service distributions of rollover contributions may be made at any time. In-service hardship distributions are permitted if certain criteria are met.

**Forfeitures** - Forfeitures by participants of unvested ERCOT contributions are used to reduce employer contributions and to pay Plan administrative expenses. The forfeited unvested account balance was \$197,327 and \$52,359 as of December 31, 2020 and 2019, respectively. Forfeitures totaling \$115,141 and \$39,966 were utilized to reduce ERCOT's contributions and to pay administrative expenses, respectively during the year ended December 31, 2020.

**Current Legislation** - In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in response to the COVID-19 pandemic (Note 2). The CARES Act allowed eligible Plan participants to request penalty-free distributions of up to \$100,000 through December 31, 2020 for qualifying reasons associated with the COVID-19 pandemic and to spread the related income tax over three years. As further defined within the CARES Act and among other benefits, it also permitted: i) repayment of such distributions over a three-year period and ii) deferral of 2020 required minimum distributions. Plan management implemented these changes.

In December 2020, Congress passed the Consolidated Appropriations Act, 2021 (the “CA Act”). The CA Act provided relief for participants affected by disasters other than the COVID-19 pandemic (Note 2) that occurred between December 28, 2019 and December 27, 2020, as declared by the President of the United States between January 1, 2020 and February 25, 2021. The CA Act provided non-COVID-19 disaster relief options similar to the CARES Act and most of its provisions expired on June 25, 2021.

## 2. Significant Accounting Policies

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

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

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Retirement Plan Committee determines the Plan’s valuation policies utilizing information provided by the investment advisors and Trustee. See Note 3 for discussion of fair value measurements.

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

**Notes Receivable from Participants** - Notes receivable from participants are measured at the unpaid principal balance plus any accrued but unpaid interest. No allowance for credit losses has been recorded as of December 31, 2020 and 2019. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the Plan document.

**Benefits Paid to Participants** - Benefits are recorded when paid.

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

ERCOT participates in a revenue sharing agreement with the Trustee and the related Plan earnings are deposited in an unallocated funds account. Unallocated funds may be used to pay administrative expenses or ERCOT may elect to allocate the funds to the Plan’s participants. During the year ended December 31, 2020, ERCOT used \$33,267 from the unallocated funds account to pay certain recordkeeping fees incurred by the Plan. The balance in the unallocated funds account totaled \$17,739 and \$16,780 as of December 31, 2020 and 2019, respectively.



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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which has adversely affected the world economy and resulted in volatility in the global capital markets. The impact of this pandemic on investment prices and the world economy continues to evolve and its future effects on the Plan's net assets available for benefits and changes in net assets available for benefits cannot be reasonably estimated at this time.

**Plan Termination** - Although it has not expressed any intent to do so, ERCOT has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

**Subsequent Events** - ERCOT has evaluated subsequent events through July xx, 2021, the date the financial statements were available to be issued, and no events have occurred through that date that would impact the financial statements.

### 3. Fair Value Measurements

The Plan follows a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2020 and 2019.

*Mutual funds:* Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds are registered with the Securities and Exchange Commission and are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. The self-directed brokerage accounts include mutual funds.

*Common/collective trust fund:* Common/collective trusts are pooled investment vehicles designed primarily for certain qualified retirement plans. The fair value of this investment has been estimated using the net asset value per unit as a practical expedient, as provided by the fund manager, and is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. There are no restrictions on participant redemptions, units may be redeemed daily and there are no unfunded commitments. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require a twelve-month notice prior to distribution.

In accordance with U.S. GAAP, certain investments measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in the following tables are intended to permit reconciliation to the amounts presented in the statements of net assets available for benefits.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds	\$ 302,048,376	\$ -	\$ -	\$ 302,048,376
Self-directed brokerage accounts	12,249,418	-	-	12,429,418
Total assets in the fair value hierarchy	<u>\$ 314,297,794</u>	<u>\$ -</u>	<u>\$ -</u>	314,477,794
Common/collective trust fund, measured at net asset value				<u>27,074,200</u>
Investments at fair value				<u>\$ 341,551,994</u>

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total Fair Value
Mutual funds	\$ 257,456,578	\$ -	\$ -	\$ 257,456,578
Self-directed brokerage accounts	8,661,926	-	-	8,661,926
Total assets in the fair value hierarchy	<u>\$ 266,118,504</u>	<u>\$ -</u>	<u>\$ -</u>	266,118,504
Common/collective trust fund, measured at net asset value				<u>23,448,950</u>
Investments at fair value				<u>\$ 289,567,454</u>

#### **4. Information Certified by the Trustee**

All information disclosed in the accompanying financial statements, notes and supplemental schedule related to the Plan's investments and notes receivable from participants as of December 31, 2020 and 2019, and the related net investment gain and interest income on notes receivable from participants during the year ended December 31, 2020, was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by the Trustee.

#### **5. Tax Status**

ERCOT has not applied for a determination letter from the Internal Revenue Service ("IRS") to determine if the Plan is designed in accordance with applicable sections of the IRC. The Plan document is based upon a volume submitter plan instrument from Fidelity Management and Research Company which received an IRS advisory letter dated March 31, 2014. Although the volume submitter plan instrument has been amended since receiving the IRS advisory letter, the Plan administrator believes that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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

#### **6. Party-in-Interest and Related Party Transactions**

Certain Plan investments are shares of mutual funds that are managed by the Trustee or its affiliates. Additionally, there are self-directed brokerage accounts whose services are provided by an affiliate of the Trustee. The Plan paid both direct and indirect fees to the Trustee for investment management services and the Plan also has a revenue sharing agreement with the Trustee. ERCOT may pay directly certain other fees related to the Plan's operations. Transactions such as these, including notes receivable from participants, qualify as party-in-interest transactions.

**Supplemental Schedule**

## Electric Reliability Council of Texas 401(k) Savings Plan

Schedule H, Line 4i - Schedule of Assets Held at End of Year  
December 31, 2020

Employer identification number - 74-2587416

Plan number - 002

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
*	Fidelity Contrafund K6	Mutual fund	Note 1	\$ 39,969,710
*	Fidelity 500 Index Fund	Mutual fund	Note 1	37,948,131
	T. Rowe Price Retirement I 2040 Fund I Class	Mutual fund	Note 1	20,725,801
	Wells Fargo Stable Value Fund C	Common/collective trust	Note 1	27,074,200
	PGIM Jennison Mid-Cap Growth Fund Class R6	Mutual fund	Note 1	18,966,219
	T. Rowe Price Retirement I 2030 Fund I Class	Mutual fund	Note 1	14,716,906
	T. Rowe Price Retirement I 2025 Fund I Class	Mutual fund	Note 1	14,595,067
	Vanguard Total Bond Market Index Fund Inst	Mutual fund	Note 1	14,544,493
	T. Rowe Price Retirement I 2035 Fund I Class	Mutual fund	Note 1	13,234,246
*	Fidelity Extended Market Index Fund	Mutual fund	Note 1	13,134,741
	T. Rowe Price Retirement I 2050 Fund I Class	Mutual fund	Note 1	12,667,581
*	Self-directed Brokerage Accounts	Mutual funds	Note 1	12,429,418
	T. Rowe Price QM U.S. Small-Cap Growth Equity Fund I Class	Mutual fund	Note 1	11,862,937
	T. Rowe Price Retirement I 2045 Fund I Class	Mutual fund	Note 1	11,377,780
	American Century Mid-Cap Value Fund Class R6	Mutual fund	Note 1	10,011,568
	Invesco Oppenheimer Developing Markets Fund Class R6	Mutual fund	Note 1	9,403,757
*	Fidelity Government Income Fund	Mutual fund	Note 1	9,278,576
	T. Rowe Price Retirement I 2020 Fund I Class	Mutual fund	Note 1	8,990,329
	BlackRock Equity Dividend Fund Institutional Shares	Mutual fund	Note 1	8,496,935
	MFS International Growth Fund Class R6	Mutual fund	Note 1	7,738,046
	T. Rowe Price Small-Cap Value Fund I Class	Mutual fund	Note 1	5,292,458
	Vanguard Developed Markets Index Fund Inv	Mutual fund	Note 1	4,087,959
	Western Asset Core Bond Fund Class I	Mutual fund	Note 1	4,005,842
	T. Rowe Price Retirement I 2055 Fund I Class	Mutual fund	Note 1	3,021,098
	Vanguard Inflation-Protected Securities Fund Admiral Shares	Mutual fund	Note 1	2,167,776
	T. Rowe Price Retirement I 2060 Fund I Class	Mutual fund	Note 1	1,865,479
	T. Rowe Price Retirement Balanced I Fund I Class	Mutual fund	Note 1	1,480,565
	T. Rowe Price Retirement I 2010 Fund I Class	Mutual fund	Note 1	870,942
	Cohen & Steers Real Estate Securities Fund, Inc. Class Instit	Mutual fund	Note 1	783,428
	T. Rowe Price Retirement I 2015 Fund I Class	Mutual fund	Note 1	736,495
	T. Rowe Price Retirement I 2005 Fund I Class	Mutual fund	Note 1	73,511
*	Participant Loans	Interest Rates: 4.25% - 6.50%	- 0 -	3,902,981

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

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