

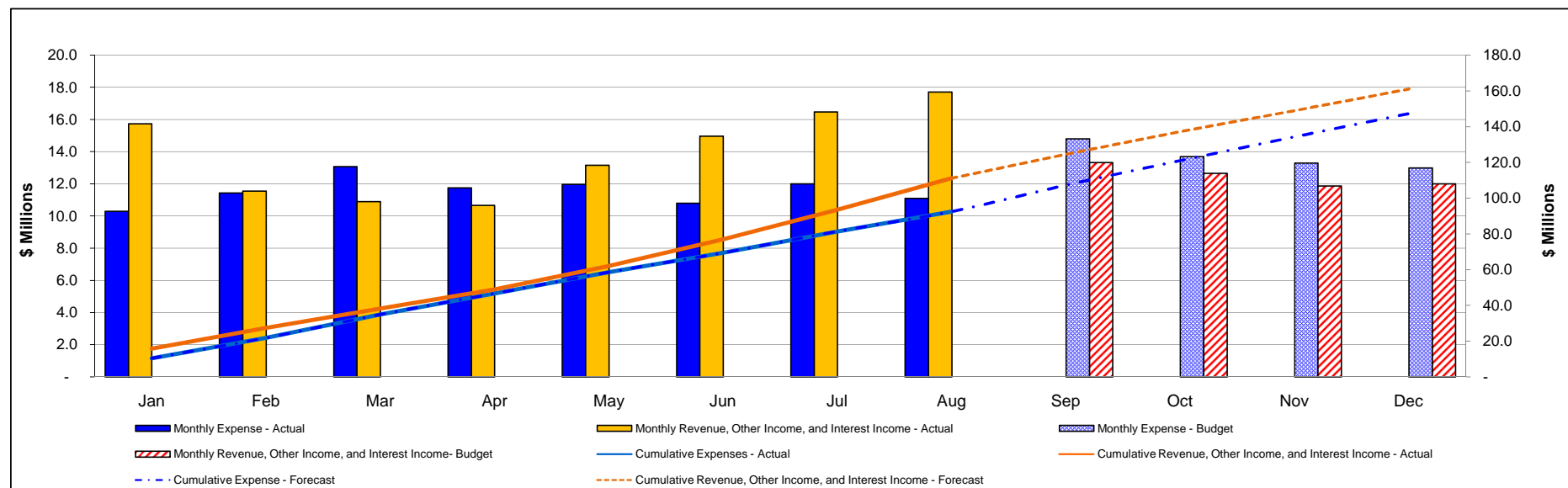


ERCOT  
Financial Summary  
as of August 31, 2010

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**Electric Reliability Council of Texas, Inc.**  
**Base Operations**  
**Analysis of Adequacy of System Administration Fee**  
**For the Eight Months Ended August 31, 2010**  
**(\$ in Millions)**

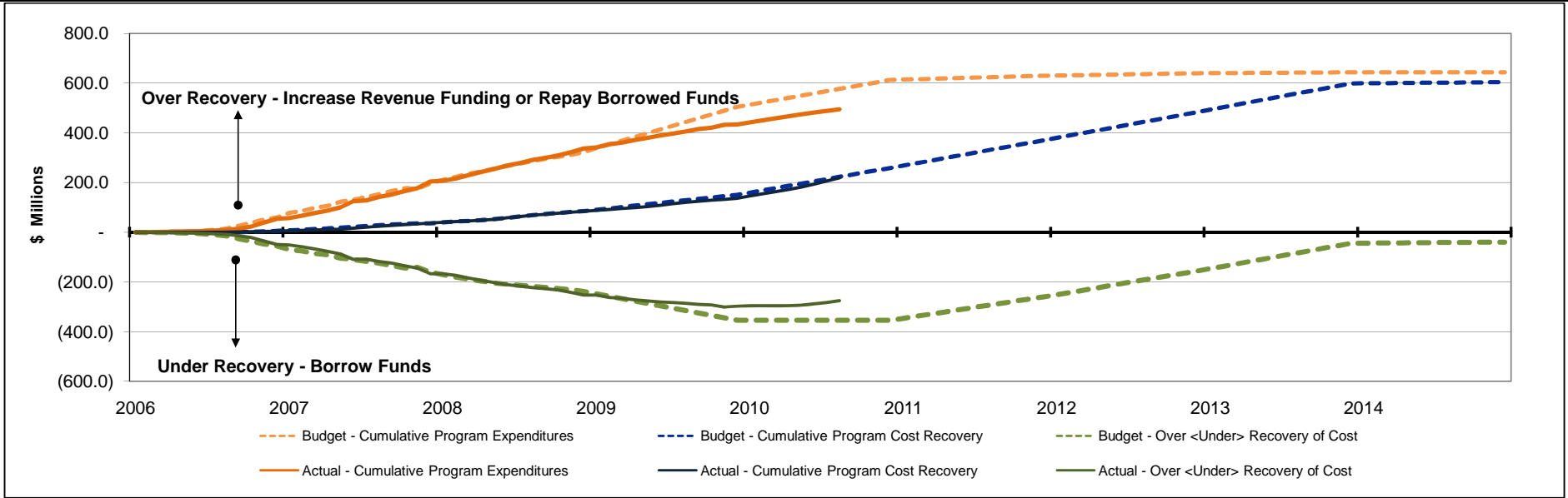


	2010												Annual			
	Actual								Forecast				Forecast	Original Budget	Var-\$	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
<b>Revenue</b>																
System Administration Fee	10.9	9.9	9.2	8.8	11.5	13.2	13.5	15.0	10.4	9.8	8.9	9.4	130.5	130.5	-	
Wide-area Network Fees	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	2.2	2.3	(0.1)	
NERC Electric Reliability Organization Fee	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.2	1.2	1.2	1.1	8.3	8.3	-	
Generation Interconnection Study Fees	-	-	-	0.1	-	-	0.1	-	-	-	0.1	-	0.3	0.6	(0.3)	
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	(0.1)	
Sales Tax Refund funding Facility Construction	1.0	1.0	1.2	1.1	1.0	1.1	1.1	1.0	1.1	1.1	1.1	1.0	12.8	12.8	-	
2009 Carry forward for Facility Replacement & Expansion	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.4	2.4	-	
Other Revenue		0.1	-	0.1	0.1	0.1	-	0.1	0.2	0.2	0.2	0.2	1.3	0.2	1.1	
Recovery of an investment loss from The Reserve	3.2	-	-	-	-	-	0.2	-	-	-	-	-	3.4	-	3.4	
<b>Subtotal - Revenue</b>	<b>15.7</b>	<b>11.6</b>	<b>10.9</b>	<b>10.7</b>	<b>13.2</b>	<b>15.0</b>	<b>16.5</b>	<b>17.7</b>	<b>13.3</b>	<b>12.7</b>	<b>11.9</b>	<b>12.0</b>	<b>161.2</b>	<b>157.2</b>	<b>4.0</b>	
<b>Expenses</b>																
Base Operating Expenses (excluding depreciation)	6.4	7.2	6.9	6.5	7.7	6.8	7.1	6.3	8.7	8.7	8.8	8.9	90.0	95.1	5.1	
NERC Electric Reliability Organization Expenses	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.2	1.2	1.2	1.1	8.3	8.3	-	
Protocol Services	-	0.1	0.1	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	0.8	1.5	0.7	
Principal Repayment	2.2	2.2	2.1	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.1	26.1	26.1	-	
Interest Payments	0.2	0.2	0.1	0.2	0.2	-	0.1	0.4	0.2	0.2	0.2	0.3	2.3	5.3	3.0	
Revenue-Funded Project Expenditures	1.3	1.5	3.7	2.6	1.7	1.5	1.4	0.9	2.5	1.3	0.8	0.5	19.7	20.9	1.2	
<b>Subtotal - Expenses</b>	<b>10.3</b>	<b>11.4</b>	<b>13.1</b>	<b>11.7</b>	<b>12.0</b>	<b>10.8</b>	<b>12.0</b>	<b>11.1</b>	<b>14.8</b>	<b>13.7</b>	<b>13.3</b>	<b>13.0</b>	<b>147.2</b>	<b>157.2</b>	<b>10.0</b>	
<b>Excess of Revenue Over Expenses</b>	<b>5.4</b>	<b>0.2</b>	<b>(2.2)</b>	<b>(1.0)</b>	<b>1.2</b>	<b>4.2</b>	<b>4.5</b>	<b>6.6</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(1.0)</b>	<b>14.0</b>	<b>-</b>	<b>14.0</b>	

**Electric Reliability Council of Texas, Inc.**  
**Analysis of Adequacy of System Administration Fee - Year-End Forecast as of August 31, 2010**  
**(\$ in Millions)**

	Period to Date			Year To Date			End of Year		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	% Collected/ Spent
<b>Revenue</b>									
System Administration Fee	13.8	15.0	1.2	90.2	92.0	1.8	130.5	130.5	100.0%
Wide-area Network Fees	0.2	0.2	-	1.5	1.5	-	2.3	2.2	95.7%
NERC Electric Reliability Organization Fee	1.2	1.2	-	3.6	3.6	-	8.3	8.3	100.0%
Generation Interconnection Study Fees	-	-	-	0.4	0.2	(0.2)	0.6	0.3	50.0%
Interest Income	0.1	-	(0.1)	0.1	-	(0.1)	0.1	-	0.0%
Sales Tax Refund funding Facility Construction	1.0	1.0	-	8.5	8.5	-	12.8	12.8	100.0%
2009 Carry forward for Facility Replacement & Expansion	0.2	0.2	-	1.6	1.6	-	2.4	2.4	100.0%
Other Revenue	-	0.1	0.1	0.2	0.5	0.3	0.2	1.3	650.0%
Recovery of an investment loss from The Reserve	-	-	-	-	3.4	3.4	-	3.4	N/A
<b>Subtotal - Revenue</b>	<b>16.5</b>	<b>17.7</b>	<b>1.2</b>	<b>106.1</b>	<b>111.3</b>	<b>5.2</b>	<b>157.2</b>	<b>161.2</b>	<b>102.5%</b>
<b>Expenses</b>									
Salary & Benefits	5.2	3.6	1.6	39.0	32.4	6.6	59.0	53.2	90.2%
Outside Services	0.9	0.9	-	8.4	7.4	1.0	12.2	13.1	107.4%
Hardware/Software Maintenance & Licenses	0.8	0.5	0.3	6.1	5.9	0.2	9.1	8.9	97.8%
Facility & Equipment Costs	0.6	0.7	(0.1)	5.3	5.1	0.2	8.0	8.2	102.5%
Other	0.6	0.6	-	4.5	4.1	0.4	6.8	6.6	97.1%
<b>Subtotal - Base Operating Expenses (excluding depreciation)</b>	<b>8.1</b>	<b>6.3</b>	<b>1.8</b>	<b>63.3</b>	<b>54.9</b>	<b>8.4</b>	<b>95.1</b>	<b>90.0</b>	<b>94.6%</b>
NERC Electric Reliability Organization Expenses	1.2	1.2	-	3.6	3.6	-	8.3	8.3	100.0%
Protocol Services	0.1	0.1	-	1.0	0.5	0.5	1.5	0.8	53.3%
Principal Repayment	2.2	2.2	-	17.4	17.4	-	26.1	26.1	100.1%
Interest Payments	0.4	0.4	-	3.5	1.4	2.1	5.3	2.3	43.4%
Revenue-Funded Project Expenditures	1.7	0.9	0.8	13.9	14.6	(0.7)	20.9	19.7	94.3%
<b>Subtotal - Expenses</b>	<b>13.7</b>	<b>11.1</b>	<b>2.6</b>	<b>102.7</b>	<b>92.4</b>	<b>10.3</b>	<b>157.2</b>	<b>147.2</b>	<b>93.6%</b>
<b>Excess of Revenue Over Expenses</b>	<b>2.8</b>	<b>6.6</b>	<b>3.8</b>	<b>3.4</b>	<b>18.9</b>	<b>15.5</b>	<b>-</b>	<b>14.0</b>	

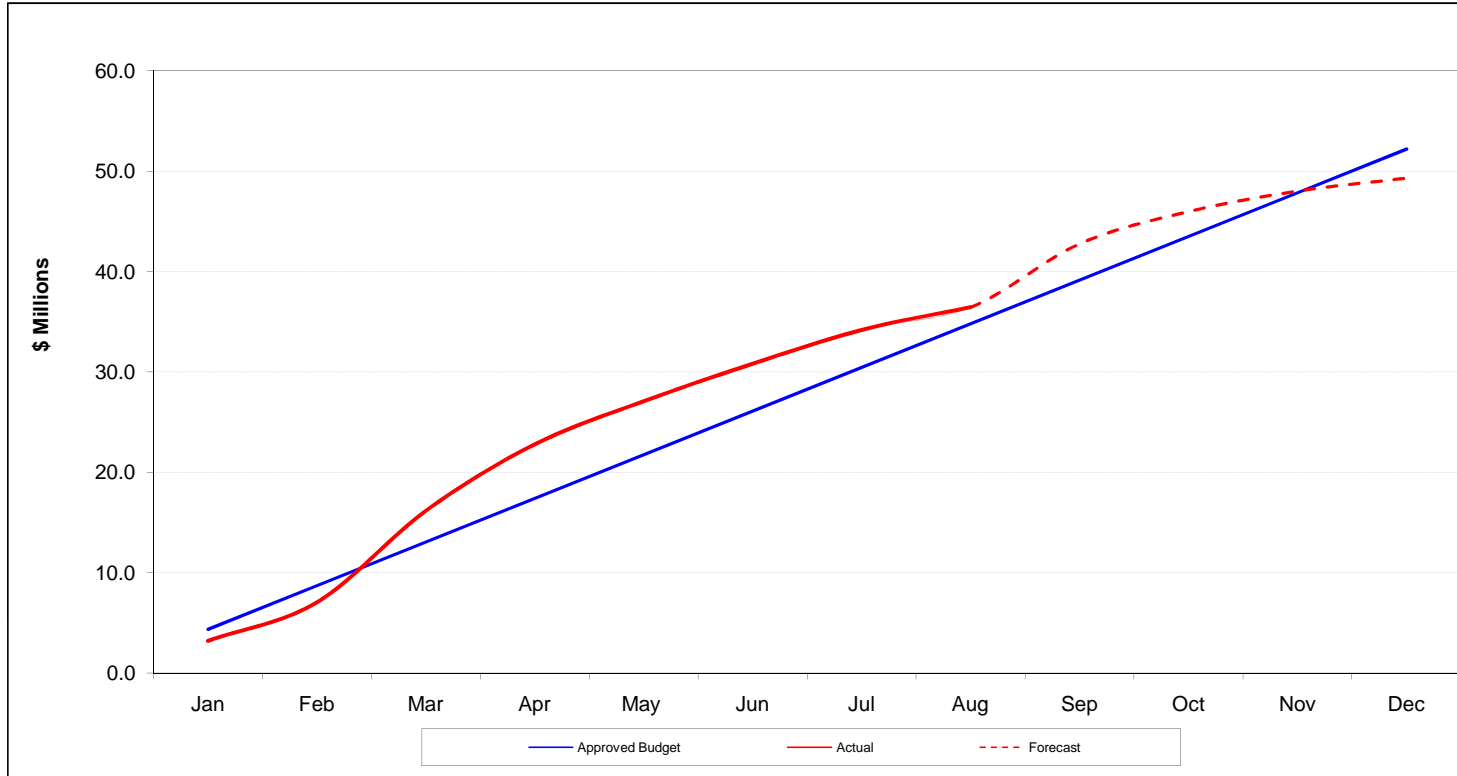
**Electric Reliability Council of Texas, Inc.  
Nodal Program  
Summary of Expenditures and Surcharge Income  
As of August 31, 2010  
(\$ in Millions)**



	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Budget - Cumulative Program Expenditures	60.1	195.7	323.4	504.5	613.2	629.9	640.0	643.7	643.8
Budget - Cumulative Program Cost Recovery	5.2	35.9	85.1	150.2	259.1	370.3	483.9	599.0	604.1
Budget - Over <Under> Recovery of Cost	(54.9)	(159.8)	(238.3)	(354.2)	(354.2)	(259.6)	(156.1)	(44.6)	(39.7)

	Dec-2006	Dec-2007	Dec-2008	Dec-2009	LTD - 2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Actual - Cumulative Program Expenditures	53.3	203.7	337.0	433.6	494.5	-	-	-	-
Actual - Cumulative Program Cost Recovery	4.5	36.6	84.3	136.4	219.1	-	-	-	-
Actual - Over <Under> Recovery of Cost	(48.8)	(167.1)	(252.7)	(297.2)	(275.4)	-	-	-	-

**Electric Reliability Council of Texas, Inc.  
Base Operations Project Expenditures  
Comparison of Budget vs. Actual  
For the Eight Months Ended August 31, 2010  
(\$ in Millions)**



	2010 Budget	YTD Actual	% Spent
Information Technology Operations	46.3	33.1	71%
Corporate Operations	2.6	1.4	54%
Retail Operations	1.9	1.2	67%
Market Operations	1.3	0.6	49%
System Operations	0.1	0.1	54%
<b>Subtotal</b>	<b>52.2</b>	<b>36.4</b>	<b>70%</b>

**Notes:**

1. Approved Budget has been spread evenly across the months.
2. Approved Budget includes carry forward from 2009 of \$5.9 Million for the Facility Replacement & Expansion project.

Electric Reliability Council of Texas, Inc.  
 Projects - Budget to Actual Comparison  
 For the Month Ended August 31, 2010  
 (\$ in Thousands)

		2010 Annual Budget Estimates with YTD Actuals				Total Approved Budget & Inception to Date Actuals			
Program Area	Capital Project Description	Project #	Budget	Actual	% of Budget Spent	Budget	Actual	\$ Var Fav / (Unfav)	% Var Fav / (Unfav)
CO	2010 Minor Capital	99910	1,435.0	1,012.5	71%	1,435.0	1,012.5	422.5	29%
CO	Enterprise Records Management Automation (ERMA)	10031	790.0	187.6	24%	800.0	187.6	612.4	77%
CO	Physical Security Biometrics Update	10028	253.1	103.6	41%	253.1	103.6	149.5	59%
CO	Corporate Document Management (Enterprise)	60029	119.9	60.5	50%	334.5	305.9	28.6	9%
CO	Taylor Facility/Data Center Expansion	80047	81.7	64.4	79%	200.0	186.0	14.0	7%
CO	Identity & Access Management	60075	23.4	22.7	97%	2,765.0	2,720.1	44.9	2%
CO	Budgeting Tool	40029	15.4	9.4	61%	330.1	324.2	5.9	2%
CO	Critical Area Notification & Isolation	70014	9.3	8.7	94%	184.0	184.0	0.0	0%
	Subtotal - Corporate Operations		2,727.8	1,469.5	54%	6,301.7	5,023.9	1,277.8	20%
IO	Facility Replacement & Expansion	80001	37,600.0	29,854.1	79%	69,600.0	45,082.8	24,517.2	35%
IO	Telecom Equipment	10015	4,085.0	1,044.9	26%	6,151.5	1,048.2	5,103.3	83%
IO	Network Gear	10016	3,750.0	1,396.5	37%	5,850.0	1,397.8	4,452.2	76%
IO	Annual Growth Storage	10018	565.0	376.4	67%	565.0	376.4	188.6	33%
IO	Infrastructure Monitoring Enhancement	90009	173.8	192.8	111%	694.0	624.8	69.2	10%
IO	Monitoring & Reporting Tools	90010	127.3	114.8	90%	292.0	279.6	12.4	4%
IO	Tier 1 Storage	10010	95.0	39.4	42%	14,750.0	40.0	14,710.0	100%
IO	P-Series	10011	55.0	14.1	26%	20,500.0	15.6	20,484.4	100%
IO	Virtual Tape (Tier 4)	10014	35.0	19.5	56%	2,400.0	19.5	2,380.5	99%
IO	Windows/Linux Servers	10013	20.0	27.9	140%	4,480.0	28.1	4,451.9	99%
IO	Spectel Server Replacement	90003	11.0	9.4	85%	500.0	480.4	19.6	4%
	Subtotal - Information Technology Operations		46,517.1	33,089.9	71%	125,782.5	49,393.3	76,389.2	61%
MO	Information Lifecycle Management	90006	1,216.6	591.5	49%	1,963.0	1,337.9	625.1	32%
MO	Settlement System Upgrade	10052	6.5	8.3	128%	6.5	8.3	(1.8)	-28%
	Subtotal - Market Operations		1,223.1	599.9	49%	1,969.5	1,346.2	623.3	32%
RO	Data Research & Reporting	50088	1,279.5	909.3	71%	3,565.0	2,464.4	1,100.6	31%
RO	POLR Rule & Expedited Switch	90024	356.0	195.6	55%	867.6	624.9	242.7	28%
RO	Advanced Meter Flag in MIS Database	90011	85.1	46.5	55%	86.0	47.3	38.7	45%
RO	Advance Metering - Interim Settlement Solution	80027	49.8	35.0	70%	1,614.3	1,569.5	44.7	3%
RO	Retail Application Upgrades	80031	17.9	17.7	99%	580.7	561.9	18.8	3%
RO	Multi-tier REC	10051	5.0	0.7	13%	300.0	0.7	299.4	100%
	Subtotal - Retail Operations		1,793.3	1,204.8	67%	7,013.5	5,268.6	1,744.9	25%

Electric Reliability Council of Texas, Inc.  
 Projects - Budget to Actual Comparison  
 For the Month Ended August 31, 2010  
 (\$ in Thousands)

Program Area	Capital Project Description	Project #	2010 Annual Budget Estimates with YTD Actuals			Total Approved Budget & Inception to Date Actuals			
			Budget	Actual	% of Budget Spent	Budget	Actual	\$ Var Fav / (Unfav)	% Var Fav / (Unfav)
SO	Improvements to VSA/DSA Phase II	50029	75.0	47.3	63%	950.4	905.5	44.9	5%
SO	Large Wind Power Production Ramp Forecasting	90002	75.0	34.0	45%	178.2	155.4	22.8	13%
Subtotal - System Operations			150.0	81.4	54%	1,128.7	1,060.9	67.7	6%
<b>Grand Total Allocated 2010 Capital Budget</b>			52,411.3	36,445.4	70%	142,195.9	62,092.9	80,103.0	56%
<b>Grand Total 2010 Capital Budget</b>			<b>52,200.0</b>	<b>36,445.4</b>	70%				

Notes:

1. Budget Allocation

	Original	Adjustments	Total	
Corporate Operations	\$ 33,800.0	\$ (31,215.0)	\$ 2,585.0	
Information Technology Operations	8,950.0	37,315.0	46,265.0	(Includes \$5.9M of Facility Replacement and Expansion carryover funds from 2009)
Retail Operations	1,900.0	-	1,900.0	
Market Operations	1,500.0	(200.0)	1,300.0	
System Operations	150.0	-	150.0	
	<b>\$ 46,300.0</b>	<b>\$ 5,900.0</b>	<b>\$ 52,200.0</b>	

2. Schedule excludes Nodal projects funded via Nodal Surcharge.

3. Total Approved Budget and Inception to Date Actuals exclude inactive projects and projects closed in prior years.



**Electric Reliability Council of Texas, Inc.**  
**Statements of Financial Position**  
**As of August 31, 2010 and 2009**  
**(\$ in Thousands)**

Preliminary - Unaudited

	Notes	2010	2009
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 25,430	\$ 17,135
Accounts receivable		7,050	4,888
Unbilled revenue		17,269	11,681
Restricted cash	(a)	128,420	160,059
Prepaid expenses and other current assets		13,568	12,291
Total current assets		191,737	206,054
Property and equipment, net		132,027	105,385
Systems under development		349,428	294,339
Debt issuance cost		518	727
Total assets		\$ 673,710	\$ 606,505
<b>Liabilities and Unrestricted Net Assets</b>			
Current liabilities:			
Accounts payable		6,051	7,663
Accrued liabilities		19,266	14,349
Deferred revenue		4,811	2,252
Market settlement liabilities	(b)	43,832	61,228
Security deposits	(a)	128,420	160,059
Regulatory liabilities, current portion		-	1,871
Notes payable, current portion		143,970	32,637
Total current liabilities		346,350	280,059
Notes payable		182,571	267,041
Derivative liability		11,942	13,452
Regulatory liability-Texas RE		-	429
Regulatory liability-Nodal		93,119	28,500
Other long term liabilities		268	1,012
Total liabilities		634,250	590,493
Unrestricted net assets		39,460	16,012
Total liabilities and unrestricted net assets		\$ 673,710	\$ 606,505

**Notes:**

(a) Restricted cash is comprised of QSE and TCR security deposits held by ERCOT as reflected in liabilities account for security deposits.

(b) Primarily the net TCR auction revenue receipts and advance QSE settlement receipts.

**Electric Reliability Council of Texas, Inc.**  
**Statements of Activities**  
**For the Eight Months Ended August 31, 2010 and 2009**  
**(\$ in Thousands)**

	<u>2010</u>	<u>2009</u>
Operating revenues		
System administration fees	\$ 91,976	\$ 88,860
Nodal implementation surcharge	82,692	36,030
Reliability organization pass-through	7,465	4,520
Generation interconnection	192	410
Membership fees and other	2,017	1,979
Total operating revenue	<u>184,342</u>	<u>131,799</u>
Operating expenses		
Salaries and related benefits	35,175	39,124
Depreciation	16,102	20,548
Facility and equipment costs	5,576	5,370
Consulting and legal services	8,375	8,593
Administrative and other	7,972	5,758
Hardware and software maintenance and licensing	5,982	6,502
Amortization of regulatory asset	82,692	36,030
Total operating expenses	<u>161,874</u>	<u>121,925</u>
Income from operations	22,468	9,874
Other income (expense)		
Interest income	4	3,500
Interest expense	(1,396)	(2,884)
Change in valuation of interest rate swap	791	1,300
Non-operating income	<u>3,629</u>	<u>19,964</u>
Change in unrestricted net assets before deferred pension costs and distribution of net assets	25,496	31,754
Deferred pension costs	8	8
Distribution of net assets- Texas RE	<u>(1,034)</u>	<u>-</u>
Change in unrestricted net assets	24,470	31,762
Unrestricted net assets (deficit), beginning of year	14,990	(15,750)
Unrestricted net assets, end of period	<u>\$ 39,460</u>	<u>\$ 16,012</u>

**Electric Reliability Council of Texas, Inc.**  
**Statements of Cash Flows**  
**For the Eight Months Ended August 31, 2010 and 2009**  
**(\$ in Thousands)**

Preliminary - Unaudited

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Change in unrestricted net assets	\$ 24,470	\$ 31,762
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	16,102	20,548
Amortization of debt issuance costs	133	168
Change in valuation of interest rate swap	(791)	(1,300)
Net losses on disposition or impairment of capital assets	(40)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,759	(544)
Unbilled revenue	(10,679)	(2,012)
Prepaid expenses and other assets	(528)	4,365
Other long-term liabilities	(1,458)	328
Regulatory liability - Nodal	64,536	24,223
Accounts payable	335	(937)
Accrued liabilities	4,408	(1,134)
Deferred revenue	541	543
Regulatory liability - Texas RE	(1,736)	(795)
Net cash provided by operating activities	<u>97,052</u>	<u>75,215</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(76,939)	(74,102)
Proceeds from sale of property and equipment	11	14
Net cash used in investing activities	<u>(76,928)</u>	<u>(74,088)</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(38,137)	(41,237)
Decrease in restricted cash	3,911	65,238
Decrease in market settlement liabilities	(35,372)	(64,325)
Decrease in security deposits	(3,911)	(65,238)
Net cash provided by financing activities	<u>(73,509)</u>	<u>(105,562)</u>
Net change in cash and cash equivalents	(53,385)	(104,435)
Cash and cash equivalents, beginning of year	78,815	121,570
Cash and cash equivalents, end of period	<u>\$ 25,430</u>	<u>\$ 17,135</u>

**Electric Reliability Council of Texas, Inc.**  
**Summary of Outstanding Debt Balances**  
**For the Eight Months Ended August 31, 2010**  
**(\$ in Millions)**

At August 31, 2010, Revolver borrowing was \$59.5 million. ERCOT borrowed \$27.4 million from TCR receipts to meet short-term liquidity needs in accordance with the Financial Corporate Standard. Available credit capacity as of August 31<sup>st</sup> was \$138.1 million.

**Debt Summary Schedule**  
**as of 8/31/10**  
**(\$ in Millions)**

	Capacity	Outstanding	Available
Senior Notes (1)	54.5	54.5	-
Term Loan (2)	212.5	212.5	-
Revolver	225.0	59.5	165.5
<b>Total</b>	<b>492.0</b>	<b>326.5</b>	<b>165.5</b>
TCR borrowing		27.4	(27.4)
<b>Total including TCR borrowings</b>		<b>353.9</b>	<b>138.1</b>

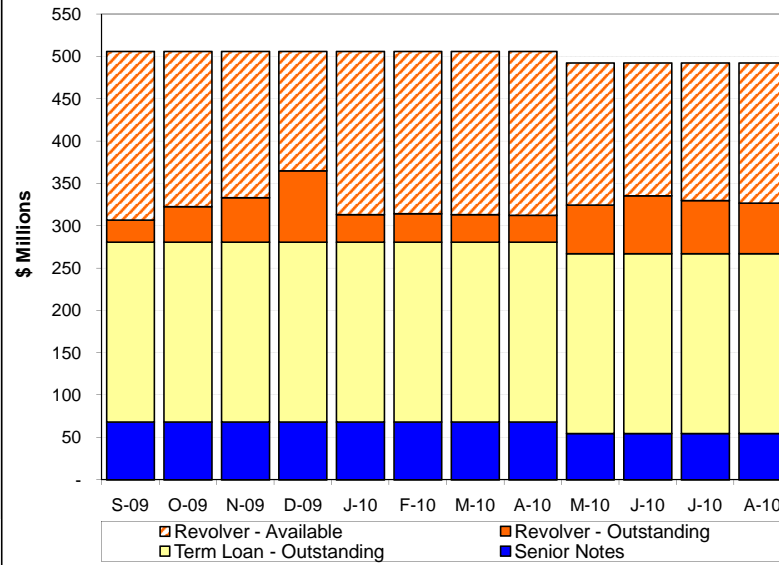
  

Outstanding Debt Components:	\$	%
Fixed Rate Debt	294.5	83.2
Floating Rate Debt (3)	59.4	16.8

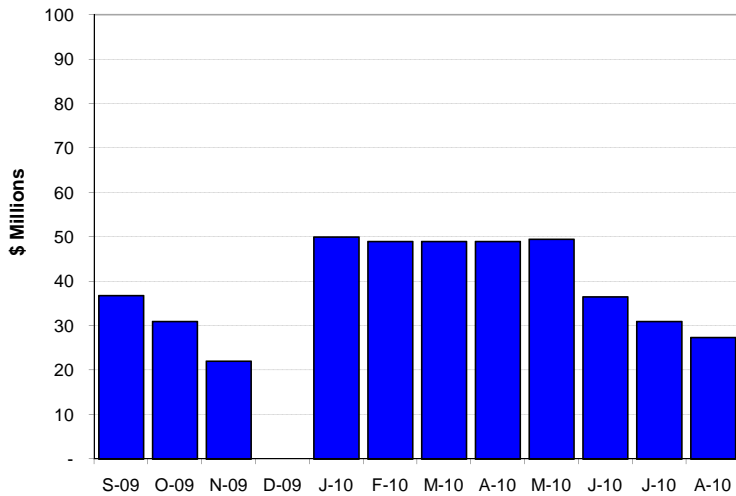
**Notes:**

- \$13.7M annual payment due May 15<sup>th</sup> was made timely.
- \$70.8 M annual payment due in November.
- Funds borrowed from TCR Revenues are included as floating rate debt. A change in interest rates by 25 basis points would increase or decrease interest expense by \$80K per year on the outstanding floating rate debt (excluding TCR borrowings).
- ERCOT issuer rating is Aa3 by Moody's Investors Service.

**Outstanding Debt & Available Capacity**



**TCR Borrowings**



**Required Maturity Profile - Existing Senior & Term Notes**

