



City of Granbury

TOWN HALL MEETING TO DISCUSS
MAY 10th SPECIAL ELECTION

April 28, 2014

Potential Sale of Electric Utility

AGENDA

The Granbury City Council has approved a special election on May 10, 2014 to determine whether the City Council shall be authorized, but not obligated, to offer for sale the city's electric utility system.

Discussion Points:

- What is a Certificate of Convenience and Necessity (CCN) ?
- City's Current Long-term Contract
- Estimated Timeline of Key Events

What is a CCN?

Certificate of Convenience and Necessity gives exclusive rights to provide electricity in the CCN area.

Why was CCN issued to municipalities?

In early times municipalities needed exclusive rights of service in order to protect investment in infrastructure, when private industry would not service rural areas.

What is a CCN?

UTILITIES CODE

Title 2. Public Utility Regulatory Act

§ 37.154. TRANSFER OF CERTIFICATE.

- (a) An electric utility may sell, assign, or lease a certificate or a right obtained under a certificate if the commission determines that the purchaser, assignee, or lessee can provide adequate service.
- (b) A sale, assignment, or lease of a certificate or a right is subject to conditions the commission prescribes.

Current Long-Term Contract

- The City of Granbury negotiated a ten-year term contract with Bryan Texas Utilities (BTU) from January 1, 2008 through December 31, 2017.

(cost was pegged to a long term fixed price – including cost of power, auxiliary charges and transmission costs)

- Initially the contract was very favorable, however with the drop in natural gas prices in 2009, the contract became adverse.
- There are 3 ½ years remaining in the existing contract.
- The current contract is non-cancellable unless agreed to by both parties.

If Election Results Give Approval - Estimated Timeline of Key Events

- **May 2014 - Election (Permission to sell electric system)**
- **Mid 2014 - Mid 2015 – Negotiation/Sale process**
 - **Appraisal of System**
 - **Analysis of Funding Requirement**
 - **Decision to Sell Electric System**
 - **Bid Process**
 - **Negotiated Sale**
- **Mid 2015 - Mid 2016 - Test year for the Rate Case**
- **Mid 2016 - Early 2017 - File Rate Case**
- **Late 2016 - Early 2017 - New rate approved by PUC**
- **Late 2017 - Early 2018 - Transition to competition**
 - **Education of Public**
 - **Market Accessibility**

If Election Does Not Approve Sale - Estimated Timeline of Key Events

- **May 2014 – Election (Denial to sell electric system)**
- **May 2014 – Mid 2016 – No change from current status**
- **Mid 2016 – Late 2017 – Evaluation of electric market wholesale prices with potential purchase of contracts for 2018 and 2019. Depending on market prices for those time periods, electric utility rates would be adjusted.**

Questions?