



July 24, 2017

To Our Customers:

Since our inception, Sharyland Utilities has been strongly committed to serving as a community-centric utility, providing our customers with safe, reliable, affordable power. We strive to live by our Core Values and approach all of our stakeholders with humility and respect. The men and women of Sharyland have worked diligently to understand the needs of our customers and the communities we serve, to find creative and cost-effective solutions to your needs, and to be valued partners for growth in our communities.

This model worked well until our 2013 rate case, in which we agreed to a settlement that more accurately reflected our true cost of service by customer class. The resulting rates created significant financial strain for our residential customers in particular, as our service territory is the most rural of any distribution utility in the State and the cost of residential service is high because it requires more poles, wire, and other equipment to reach them. Other customers hit hard by these rates included many faith-based organizations and places of worship, so critical to the success of our communities.

We at Sharyland have explored numerous different methods to bring these rates down, and we have worked productively with the Public Utility Commission of Texas, the Office of Public Utility Counsel, and other interested parties to find a solution that both addresses the unique aspects of our customers and is also consistent with broader state laws, policies, and regulatory objectives.

After working with these parties in our current rate case, we have determined that the best way to lower our rates is to swap our distribution business to Oncor Electric Delivery in exchange for Oncor transmission assets of similar value.

Oncor is a world class utility with the lowest electric delivery rates in Texas. They are already active in some of the communities that we currently serve, and are well-versed in the needs of our other communities. Sharyland will no longer serve retail customers in our territories, but rather assist in providing electric transmission services for Oncor and other distribution utilities.

On a personal note, it has been difficult to see the challenges that many of our customers have experienced with our rates since our 2013 rate case. Our family has always strived to improve the lives of those in communities in which we operate. We are proud of the electric system we built and the teamwork demonstrated by the men and women of Sharyland to serve their communities. Sharyland has supported the explosive growth in the Permian basin, expanding at a pace not seen since early days of rural electrification. We moved thousands of customers into the Electric Reliability Council of Texas and transitioned most of our customers into competition, so that they could take advantage of the many retail electric providers offering competitive energy rates. We replaced some of the most worn utility assets in the State with a new system that is hardened for the harsh Texas climate and is capable of supporting future growth.

Yet for many of our customers, none of these actions or improvements remotely offset the financial strain of the higher rates that resulted from the 2013 rate case. Thus, we believe the most community-centric action we can take is to give our retail customers access to a world class utility with the lowest rates in the State, and focus our forward strategy on the transmission infrastructure necessary for your communities to continue to grow and prosper.

We hope to conclude the regulatory process and finalize the swap with Oncor before year-end. Until then, we are seeking to offer interim rate relief for our residential customers.

We urge all of our customers to reach out to Austin and voice your support for this transaction by contacting the Public Utility Commission of Texas.

If you have any questions, our customer service representatives are available to address them and may be reached at 800-442-8688.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hunter Hunt".

Hunter Hunt
Chairman, Sharyland Utilities