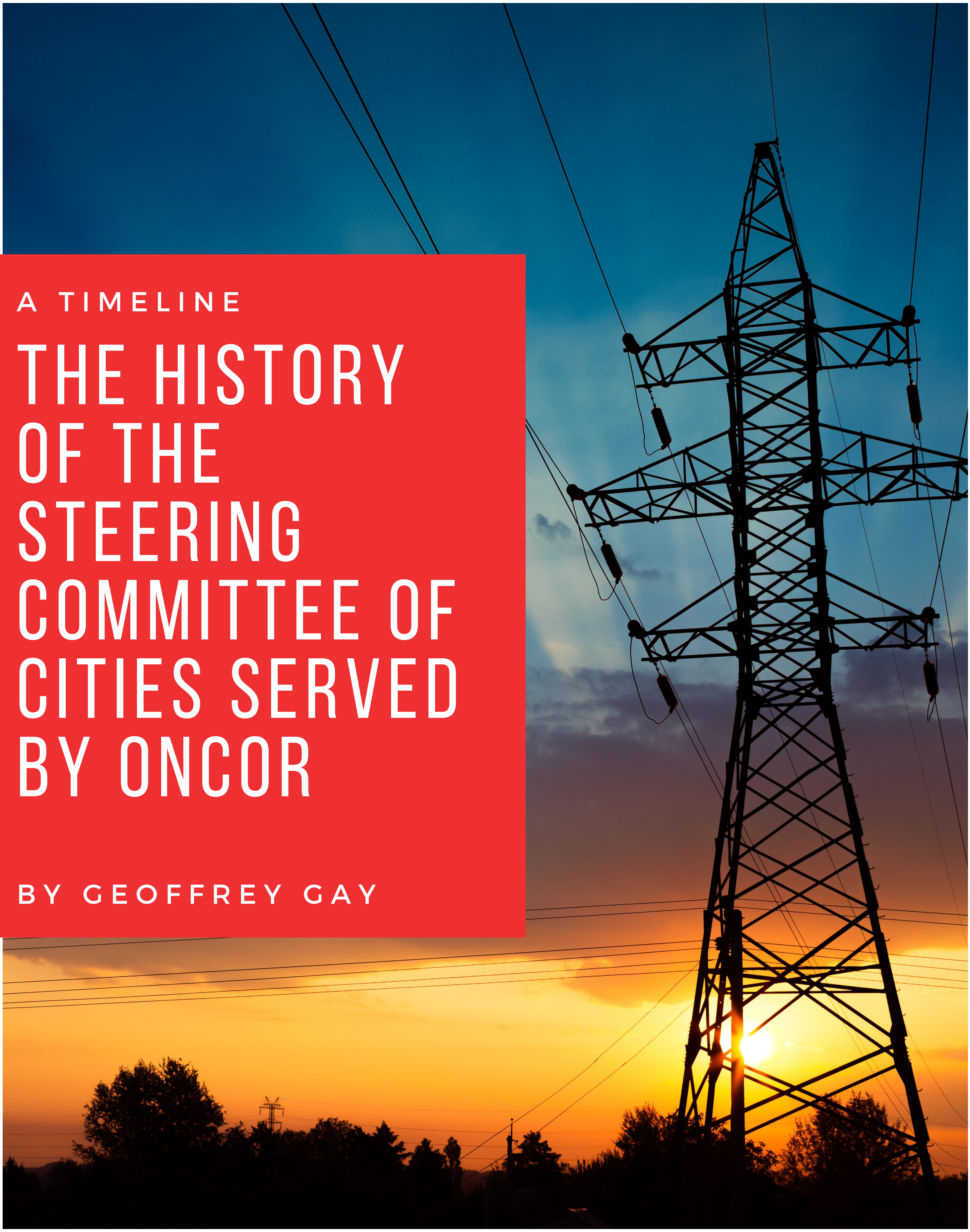


A TIMELINE

THE HISTORY OF THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR

BY GEOFFREY GAY

Geoffrey Gay
512 322-5875
gmg@lglawfirm.com

Lloyd Gosselink
816 Congress, Suite 1900
Austin, Texas
78701

citiesservedbyoncor.org

THE HISTORY OF THE OCSC

FORWARD

The Steering Committee of Cities Served by Oncor ("OCSC") traces its roots to the Comanche Peak Nuclear Power Plant and efforts by Texas Utilities to include billions of dollars of the plant's construction costs in utility rates. Jay Doegey, then City Attorney for the City of Arlington, proposed in 1989 to organize cities with original jurisdiction over rates and services of Texas Utilities to coordinate their efforts in those very early Comanche Peak rate proceedings.

What began as informal ad hoc efforts in which cities had to pass a resolution to authorize an intervention and then file a motion to intervene before the Public Utility Commission ("PUC") shifted by the mid-1990s into a process where cities joined together in a permanent standing committee. Authorizing resolutions were no longer needed and one motion intervened all committee members.

Three triggering events facilitated this transition. First, frustrated by Cities' successes from participation in the Comanche Peak prudence proceedings (PUC Docket Nos. 9300 and 11735) and from the fact that the Company was required by law to reimburse Cities for such participation, Texas Utilities ("TXU") persuaded the finance directors of every city in its service territory to surrender their statutory right to reimbursement. In

FORWARD (CONTINUED)

exchange, cities received concessions related to franchise fee payments — either more money or more efficient payments.

Second, the City of Dallas, followed by other cities, decided that a portion of enhanced franchise fee revenues should be reserved for future regulatory proceedings involving TXU.

Third, Jay Doegey, acting as Chair of the Cities Steering Committee and in cooperation with various city representatives, created and distributed resolutions for member cities to adopt that would lead to recognition of the Steering Committee as a permanent standing committee.

With passage of a membership resolution, a member city agreed that the Committee's Executive Committee had the right to authorize participation of the entire membership in any issue involving TXU subject to each city having the right to specifically withdraw from any action taken by the Executive Committee. All activities pursued by the Executive Committee were to be financed by annual per capita assessments necessary to support the Committee's budget.

Over the past 30 years, the achievements of the Steering Committee for City members and their residents have vastly exceeded the budgeting commitments of the group. Such achievements include:

1. Partial, but significant, responsibility for disallowance of $1.28 billion in Docket No. 9300;

2. Exclusive responsibility for disallowance of $333 million in Docket No. 11735;

3. Settlements in 2004-2005 leading to direct economic benefit to Committee members that included $8 million annually for 5 years, a unique public benefits payment of $18 million, and a 5% increase in franchise fee factors;

4. Company agreement to surrender its statutory right to a stranded cost claw-back, potentially worth $2 to $3 billion; and

5. Assistance with Commission Staff and other parties in defeating efforts of the Hunt family and NextEra to acquire Oncor and approval of Sempra's acquisition of Oncor in exchange for safeguards that Hunt and NextEra refused to guarantee. Oncor made a commitment to provide up to $200,000 to the Committee if the Company files to change any commitments within five years of the Commission's Order approving Sempra's acquisition.

WHAT'S IN A NAME?

1945

TU

Dallas Power & Light ("DP&L"), Texas Electric Service Company ("TESCO"), and Texas Power & Light ("TP&L") became jointly owned when Texas Utilities was formed in 1945.

1984

TUEC

The three operating utilities merged under the name TU Electric ("TUEC") with the approval of the PUC in 1984.

1999

TXU

In recognition of its efforts to become an international company, Texas Utilities became TXU in 1999. That same year, the Texas Legislature passed Senate Bill 7, prescribing the path for deregulation of the electric industry

2002

ONCOR

The unbundled wires portion of TXU's business receives the name "Oncor."

2007

EFH

TXU was taken private in 2007 and became known as Energy Future Holdings (EFH). Oncor was created as a "ring-fenced" regulated "wires company," separating it from the deregulated generation ("Luminant") and deregulated retail ("TXU Electric") units.

2018

SEMPRA

Pursuant to the earlier bankruptcy of TXU, Sempra takes possession of Oncor in 2018.

A CHRONOLOGICAL OUTLINE OF THE HISTORY AND ACCOMPLISHMENTS OF THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR

1989: THE BEGINNING

Representatives of various cities in TUEC's service territory meet in Arlington City Attorney Jay Doegey's office in preparation of a rate case to be filed by TUEC. They constitute an Executive Committee of an eventual Steering Committee. Executive Committee members during the 1979–1995 timeframe represent the following cities: Arlington, Dallas, Denison, Fort Worth, Grand Prairie, Irving, Plano, Rowlett, Tyler, Waco, Midland, Farmers Branch, and Richardson.

1990

Fifty-five individual cities intervene at the PUC in Docket No. 9300 and form an ad hoc coalition to select legal counsel and consultants. An executive committee that meets in Arlington directs the course of the litigation. The focus of the docket is the proposed inclusion of Comanche Peak Unit 1 into the Company's rate base. (In April 1973, four years prior to the creation of the Texas Public Utility Commission, DPL, TPL and TESCO signed an agreement to jointly construct and operate Comanche Peak. Initial operation was planned for 1983, so Docket No. 9300 reflected a decade of construction delay and cost overruns.) Commission hearings take more than 100 days, with most of the cross-examination and exhibits originating from Cities' counsel. The final Order results in a disallowance of Comanche Peak investment of over $1 billion.

1993

- Individual Cities intervene in PUC Docket No. 11735 and perpetuate the ad hoc coalition previously formed in 1989. The focus of this case is on the prudence of incremental costs associated with Comanche Peak Unit 2. The Steering Committee proposes in testimony an additional disallowance of more than $400 million. Following a series of depositions taken by Cities' counsel, the Company agrees to settle the case as prescribed by Cities, including a Unit 2 disallowance of $250 million, Allowance for Funds Used during Construction ("AFUDC") disallowance of $83 million, and a fuel cost disallowance of $5 million. The Steering Committee's involvement in PUC Docket Nos. 9300 and 11735 become a primary reason for TUEC's agreement to write-off more than $1.6 billion.

- The Committee authorizes counsel to monitor legislative activities. City and consumer efforts to limit federal income taxes allowed in utility rates to actual taxes paid receive a blow from the Legislature when it authorizes inclusion of phantom taxes with an amendment to the PUC Sunset bill. Governor Richards vetoes that provision.

1994-1995

TUEC persuades all cities in its service territory to surrender statutory rights to reimbursement of ratemaking expenses in exchange for increases in franchise-fee payments or alternation in timing of payments (i.e., Dallas payments shifted from arrears to pre-payments). The move comes after TUEC grows frustrated with the success of Cities at the PUC and with the fact that such success had been made possible because of Cities' statutory right to reimbursement in ratemaking matters. However, TUEC's effort backfires when first Dallas and then numerous other cities set aside a portion

1994-1995 (CONTINUED)

of the franchise fee payments to participate in future PUC cases. Jay Doegey and the City of Arlington facilitate the development of a permanent standing Steering Committee of Cities Served by TUEC. Numerous cities pass resolutions joining the Steering Committee and agree to fund the Committee with annual per capita assessments..

PERSPECTIVE ON COMMANCHE PEAK COSTS

In the 1970's, TXU represented to the PUC that Comanche Peak would cost less than $800 per kW. It ultimately cost, prior to disallowance, more than $5,284 per kW. It is perhaps the most expensive source of electric power ever built. Other contemporary plant costs are Vogtle at $8.730 billion ($3,826 per kW), South Texas Project at $8.355 billion ($3,342 per kW), and Palo Verde at $8.753 billion ($2,297 per kW).

Unit 1	
Requested in Docket No. 9300	$5,808,479,453
Requested in Docket No. 11735	$1,307,925,688
	$7,116,405,141
Less #9300 Disallowance	$796,331,814
Total	**$6,320,073,327**

Unit 2	
As of test year end (06/30/92)	$4,356,913,784
From test year to fuel load	$618,572,971
Fuel load to 05/31/93	$170,667,145
Estimate to Commercial Op during #11735	$120,000,000
	$5,266,153,900
Less #9300 Disallowance	$485,466,445
Less #11735 Disallowance	$333,000,000
Total	**$4,447,687,455**

Unit 1 and Unit 2 Cost	$12,382,559,041
Unit 1 and Unit 2 Disallowance	$1,614,798,259
Total	**$10,767,760,782**

1994: APPEAL OF DOCKET NO. 9300

Following the Commission's decision in Docket No. 9300, five parties, including the fifty-five participating cities, appeal to the district court in Travis County and then to the Court of Appeals. On October 12, 1994, the Court of Appeals issues an opinion.[1] While the case is pending at the PUC, Cities file a motion to recuse the Chairman of the Commission, Paul Meek, who ruled on certain gas contracts while he was affiliated with a gas supply company doing business with the utility.

The Court's opinion overrules the Cities' conflict and recusal issues, but Paul Meek leaves the Commission following the conclusion of Docket No. 9300. The Court agrees with Cities' position of federal income taxes and remands that issue to the Commission. Ultimately, the win on taxes is nullified by the Legislature.

[1] See Texas Utilities Electric Co. v. Public Utility Commission, 881 S.W. 2nd 387 (Tex. App. 1984).

1996

- The Steering Committee intervenes in PUC Docket No. 15195, a fuel reconciliation proceeding wherein TUEC is ordered to refund approximately $80 million. The Steering Committee begins committing resources to monitor PUC rulemakings and legislative activities that affect electric rates. Because of the permanent Steering Committee structure, it is no longer necessary to have individual cities pass resolutions authorizing interventions in each contested matter.
- Texas Utilities acquires Enserch and its subsidiary, Lone Star Gas.

INDUSTRY CONTEXT 1997-1999: DEMAND RATE REDUCTIONS

Two factors put pressure on the electric industry to reduce rates during the 1997-1999 timeframe. First, major generation assets had been added to rate base in the early 1990s. Given significant load growth, the impact of depreciation reductions to rate base, and concerns that new generation technologies were cheaper than embedded nuclear and coal plants, it seemed reasonable to regulators that rates should be reduced. Second, the PUC was anxious to see the electric industry restructured, which, when coupled with the lobby efforts Enron applied on the Texas Legislature to deregulate the industry, made it inevitable that rate reductions would be needed to satisfy politicians and regulators.

1997

- The Texas Legislature seriously contemplates retail deregulation for the first time; however, a major bill that would have led to it fails in the final hours of that year's Legislative Session.

- The Commission enters an order in a two-year-old Central Power & Light rate case (Docket No. 14965) requiring the company to cut rates by $100 million over three years. This comes in lieu of an 8 percent rate increase sought by the company. With this Order, the Commission signals to the industry to either support restructuring in the next legislative session or experience a similar fate of significant reduction in rates.
- TU Electric begins negotiating a reduction to rates with Cities in early 1997. In March, the Company reaches an agreement with Cities, Commission Staff, and the Office of Public Utility Counsel to refund $80 million in August 1997. The parties agree that the Company could recoup the $80 million if the Commission dockets a rate reduction proceeding before December.

1998

- Following the preparation and filing of the 1997 Stipulation, the Company, Cities, Staff and OPUC continue discussions on how to address TU Electric's over-earnings documented in earlier earnings monitoring reports filed with the Commission. In December, TU Electric bypasses Cities and reaches an agreement with OPUC and Staff. That agreement calls for a base rate reduction in January 1998 of 4% for residential customers and 2% for commercial customers. A further base rate reduction of 1.4% would be given residential customers in 1999. The Steering Committee's General Counsel recommends opposing the agreement because it calls for shifting $500 million of transmission and distribution plant depreciation to nuclear investment to begin addressing potential stranded investment. Since nothing is to be gained by supporting the agreement (the Commission had already directed Staff to arrange rate stipulations with both TU Electric and HL&P), the Cities specifically adopt ordinances rejecting depreciation shifting.
- Texas Utilities changes its name to TXU to reflect an international presence. The Company expands its acquisition efforts and purchases utilities in Europe and Australia. The Steering Committee participates in the Company's fuel reconciliation, Docket No. 20285, and in 1999, the Committee coordinates a settlement leading to a refund of approximately $52 million.

1999: DEREGULATION LAW

- The Commission reports to the Legislature in its January 1999 Scope of Competition Report that it has ordered TU Electric to reduce rates effective January 1998 by 4% on residential customers and 2% on commercial customers, with a further rate reduction of 1.4% effective January 1999. It also reports that it had ordered depreciation shifting as had been proposed in the 1997 failed legislation.
- In 1999, the Texas Legislature passes Senate Bill 7 to deregulate the retail electric industry effective January 1, 2002.

2000

The Steering Committee participates in dockets initiated by the PUC to implement the competitive marketplace. The primary focus is to separate assets that will remain with the regulated wires company from those that will belong to competitive businesses.

2002

Retail competition becomes effective on January 1. Effective that date, Senate Bill 7 changes the methodology for calculating franchise fee payments to cities from percentage of gross receipts to city-specific unique factors multiplied against future kWh sales within municipal limits. Counsel for the Steering Committee negotiates a change in Oncor's interpretation of the statutory formula, which adds roughly $10 million annually to committee members' franchise fee recovery. Beginning in 2002 and continuing through 2004, TXU divests itself of European holdings after realizing significant financial losses.

2003-2004

In 2003, the Steering Committee's General Counsel informs the Cities' Executive Committee that the Company continues to earn more than its authorized rate of return; he encourages the Committee to recommend that member cities pass Show Cause resolutions to compel Oncor to file information to justify its rates and demonstrate why they should not be reduced. In mid-2004, the Executive Committee accepts the advice of counsel, and twenty cities (Arlington, Benbrook, Brownwood, Carrollton, Dallas, Dalworthington Gardens, Denison, Fort Worth, Harker Heights, Heath, Pantego, Plano, Richland Hills, Robinson, Rockwall, Snyder, Sulphur Springs, The Colony, and Woodway) pass Show Cause resolutions. The Company appears before the City Councils to oppose the resolutions and threatens litigation. However, after both Fort Worth and Dallas pass the resolutions, Oncor executives arrange to meet Cities' counsel in Austin to pursue settlement. The Company is told a rate case could be avoided if the Company resolves the problem of excessive streetlight and water pumping rates adversely impacting Cities.

2005-2006

Oncor and the Cities Steering Committee reach a settlement to avoid a rate case, and the agreement is extended in 2006. No other parties are involved. The economic benefit of the two settlements to Steering Committee members is approximately $85 million.

A SUMMARY OF RATE CASES

The OCSC and its predecessor organizations have remained active at the PUC for decades. Below is a summary of some cases that occurred with OCSC involvement since 2007. In addition to cases involving base rates, the OSCS has worked on Transmission Cost Recovery Factor ("TCRF"), Energy Efficiency Cost Recovery Factor ("EECRF"), Distribution Cost Recover Factor ("DCRF), and transmission-only cases.

Docket Number	Utility	Type	Year Filed	Final Order
34040	Oncor	Base Rate	2007	10/18/2007
35717	Oncor	Base Rate	2008	11/30/2009
36530	Oncor	Rate Case Expense	2008	9/21/2009
36958	Oncor	EECRF	2009	11/23/2009
38217	Oncor	EECRF	2010	11/30/2010
38929	Oncor	Base Rate	2011	8/26/2011
39239	Oncor	Rate Case Expense	2011	12/9/2011
39375	Oncor	EECRF	2011	11/22/2011
40020	Lone Star	Transmission Only Rate Case	2011	11/7/2012
40361	Oncor	EECRF	2012	8/29/2012
40604	CrossTx	Transmission Only Rate Case	2012	1/16/2013
41544	Oncor	EECRF	2013	11/4/2013
42559	Oncor	EECRF	2014	10/3/2014
43950	CrossTx	Transmission Only Rate Case	2014	5/1/2015
44746	WETT	Transmission Only Rate Case	2015	9/25/2015
46013	Oncor	EECRF	2016	9/23/2016
46957	Oncor	Base Rate	2017	10/13/2017
47235	Oncor	EECRF	2017	9/29/2017
47675	Oncor	Miscellaneous	2017	3/8/2018
48231	Oncor	DCRF	2018	8/30/2018
48325	Oncor	Base Rate	2018	4/4/2019
48421	Oncor	EECRF	2018	10/25/2018
48577.1	AEP	Hurricane Restoration Costs	2018	2/28/2019
49427	Oncor	DCRF	2019	9/12/2019
49594	Oncor	EECRF	2019	9/27/2019

2005 SETTLEMENT WITH THE STEERING COMMITTEE

On February 22, 2005, the Steering Committee agrees to abate the Show Cause orders until July 1, 2006, in exchange for direct cash payments (totaling $8.5 million) to Cities equivalent to a 25% reduction in street lighting rates. Such payment is to be made by March 31, 2005. Additionally, annual cash payments of $8 million are to be paid March 31, 2006 and each year thereafter until the PUC approves new tariffs in the next rate case. Other benefits of the settlement include:

1. Agreement to work with Cities to improve the timeliness of streetlight maintenance;
2. Agreement to work together concerning relocations of Company facilities;
3. Agreement of Company to discuss the provision of franchise fee payments on a quarterly basis regardless of whether the Company has treated franchise fees as a prepayment or a payment based on historic consumption;
4. Agreement to negotiate a tariff that permits Cities to request undergrounding of new or existing distribution facilities at City expense;
5. Agreement of Company to reimburse City consultants up to $10,000 per month;
6. Agreement to reimburse Cities' expenses associated with Show Cause (not to exceed $100,000) and reimburse up to $2 million in the next rate case, and payment of $150,000 to resolve previously disputed regulatory expenses;
7. Agreement to terminate demands that franchises preclude reimbursement of rate case expenses post-June 2008; and
8. Agreement to Most Favored Nations provisions—all Steering Committee members to receive all benefits provided to any city.

2006 SETTLEMENT WITH THE STEERING COMMITTEE

To avoid its commitment to file a rate case with Cities and the PUC in 2006, the Company asks the Steering Committee to extend the 2005 Agreement. This provides Cities' Counsel the opportunity to extract further concessions. The Extension and Modification of Settlement Agreement is signed on January 27, 2006. In exchange for allowing the Company until July 1, 2008 to file a rate case with Cities and the PUC, the Company agrees to the following:

1. That the new rate case filing would include street lighting and municipal pumping tariffs that would be lower than they otherwise would be;
2. That annual cash payments of $8 million to Steering Committee members would be made on March 31 in 2006, 2007, 2008, and 2009;
3. Reimbursement of up to $40,000 per month through December 2009 to cover Cities' participation at ERCOT and the PUC concerning market design issues;
4. That prior commitments on street lighting maintenance would be enhanced by assigning every light an identifiable geographic location;
5. That prior commitments regarding reimbursement of Cities' consultants' expenses would continue and that Cities would be reimbursed up to $25,000 for expenses associated with negotiating the new agreement; and
6. That $18 million would be paid to Committee members for beneficial public use, with determination of what constitutes "beneficial public use" to be left to the discretion of each member city. This was a novel and unprecedented consideration, demanded and negotiated by Cities' counsel.

FRANCHISE FEE SETTLEMENT

The agreement also references a separately negotiated agreement to resolve outstanding issues related to franchises. That agreement provides a 5% increase to the 2005 franchise fee factor for each city spread over a four-year period (2% in 2006 and additional increases of 1% per year in 2007, 2008, and 2009).

2007

- Splitting costs with Cities Aggregation Power Project ("CAPP") and Atmos Cities Steering Committee ("ACSC"), the Steering Committee advocates consumer positions on utility issues during this year's legislative session.
- Private investors create Energy Future Holdings ("EFH") to purchase TXU and its approximately seventy subsidiaries, including Oncor. The Steering Committee intervenes in the PUC's proceedings (Docket No. 34077) to consider whether the acquisition is in the public interest. Cities join a stipulation that leads to creation of a "ring fence" around Oncor to keep it from being drawn into any future EFH bankruptcy. The stipulation is filed on October 24, 2007.

2008

The PUC approves EFH's acquisition in February. The Steering Committee intervenes in a rate case (PUC Docket No. 35717) that Cities had anticipated since 2004. The hearing on the rate case would not occur until 2009. Also, the Committee intervenes in proceedings related to an energy efficiency surcharge (Docket No. 35634) and advanced metering (Docket No. 35718).

2009

The PUC issues an Order granting Oncor an increase in Docket No. 35717, despite Cities' testimony indicating rates should be reduced. As part of its rate order, the PUC terminates and disallows the franchise-fee factor increase Oncor agreed to in 2006. The Steering Committee, joined by Oncor, appeals this ruling. The Committee participates in the legislative session, files comments in the PUC's Provider of Last Resort determinations, and intervenes in ERCOT's request for imposition of a fee to implement a Nodal Market (Docket No. 36851).

2011

- The district court in Austin rules in Cities' favor regarding the franchise fee issue appealed from Docket No. 35717. Oncor files a new rate case (Docket No. 38929) which parties agree to settle for a revenue increase of $137 million. The Commission accepts the settlement, which includes the district court's reversal of the 2009 Commission decision regarding franchise fee payments. This temporarily makes the Cities whole under the fee factor agreement of 2006, subject to Cities refunding the make-whole payments if the PUC prevails on further appeal.
- The Committee participates in the legislative session.

2013

- At its June quarterly meeting, OCSC receives a PowerPoint presentation from Oncor that explains Competitive Renewable Energy Zones ("CREZ") and the Company's project schedule for transmission line additions pursuant to CREZ.
- Also in June, legal counsel provides the Steering Committee an analysis on public utility bankruptcies in anticipation of EFH's dire financial condition.
- OCSC intervenes in Oncor's 2014 Energy Efficiency Cost Recovery Factor proceeding (Docket No. 41544) and a separate proceeding related to advanced metering alternatives for customers who do not want an advanced or "smart" meter attached to their home (Project No. 41111).

LEGISLATIVE ACTIVITIES: 2013 REGULAR SESSION

- OCSC, Atmos Cities Steering Committee ("ACSC") and Texas Coalition for Affordable Power ("TCAP") share costs and work on a common agenda to defeat utility company efforts to eliminate Cities' original jurisdiction and otherwise make it difficult for Cities to participate in rate cases. OCSC and TCAP fight efforts to transition the energy-only wholesale market to a capacity market. During debate over legislation to reauthorize the PUC, lawmakers specifically direct the Commission to conduct a cost-benefit analysis prior to any transition to a capacity market. OCSC and other consumer groups also oppose S.B. 1364, which limits the Commission's discretion over the treatment of federal corporate income taxes in rate cases, but that bill becomes law.
- While electric power generators fail to persuade the Legislature to adopt a capacity market, two PUC Commissioners attempt to transition the market without explicit authority. OCSC testifies against such efforts before the Senate Natural Resources Committee in November. OCSC and TCAP jointly commission a report that demonstrates how a Texas capacity market would lead to higher retail prices with no clear benefit to consumers.
- OCSC participates in Transition Cost Recovery Factor ("TCRF") filings made by several transmission companies (Docket Nos. 40020, 40604, 40606), including Oncor, because all transmission costs are socialized and spread to all customers in the deregulated market. Cities' expenses associated with expedited TCRF cases are reimbursable.

2014

- OCSC participates in Project No. 42330 to oppose proposed rules to limit discovery in rate cases. Cities base their opposition on the fact that the majority of rate cases since 2002 have settled and their determination that the limitations on discovery are unnecessary and counterproductive to achieving efficient settlements.
- Oncor advises Cities at OCSC's June quarterly meeting on its proposal to invest up to $5.2 billion in grid-connected battery storage to enhance reliability. Recognizing that the Legislature is unlikely to change the statute to accommodate Oncor's desires, the Company abandons the proposal before Cities need to formulate a response to the proposal. At the December quarterly meeting, Oncor presented a PowerPoint on the October 2, 2014 wind storm and the performance of Oncor's Advanced Metering System.
- At the March quarterly meeting, Oncor advises Cities on its streetlight audit. In July, OCSC receives an update from Counsel on numerous errors Oncor made in billing streetlights because of a failure to modify billing data associated with a federally mandated shift from mercury vapor bulbs to high-pressure sodium lights. Oncor billings date back to January 1, 2008. As of June 2014, Oncor had verified 42,860 lights in fifty-eight cities. Of the cities reviewed, Oncor estimates that 10% contain no errors. Ninety percent of the cities have some errors. Refunds, with interest, are offered to affected Cities.
- In Project 40000, OCSC continues its participation in discussions relating to potential transition to a capacity market. A workshop in Project 40000 is held January 29 and 30, 2014.
- EFH files for bankruptcy on April 29, 2014, and the Steering Committee authorizes Counsel to monitor proceedings in case efforts emerge to bring Oncor into the proceedings.
- OCSC advocates consumer interests as ERCOT initiates the first comprehensive examination of ancillary services since the deregulated retail market opened in 2002.
- In July, legal counsel distributes a memo to Steering Committee members informing them of various energy efficiency programs subsidized through retail rates that could be beneficial to cities, including: Commercial Standard Offer Program, Commercial Load Management Standard Offer Program, and Commercial Solar Photovoltaic Installation Standard Offer Program.
- In August, counsel informs members of the Court of Appeals decision in the further appeal of Oncor's 2008 rate case (Docket No. 35717). The Court of Appeals reverses the District Court's ruling on franchise fees that favored cities. In September, counsel requests all members provide a verified copy of franchise agreements to include as an attachment to a Motion for Rehearing.

2015

The Hunt family wins bankruptcy court approval to acquire Oncor and files a Sale, Transfer, Merger ("STM") case at the PUC, seeking a statutorily required finding that the transaction is in the public interest. Cities meet with Hunter Hunt in Dallas and attempt to negotiate participation in Oncor's ownership, without success. The Committee intervenes in PUC proceedings and ultimately opposes Hunt's proposal.

2016

- Hearings on Hunt's STM (Docket No. 45188) occur early in the year. OCSC, along with the Office of Public Utility Counsel ("OPUC"), Texas Industrial Energy Consumers ("TIEC") and the Commission Staff, oppose Hunt's plan to turn Oncor into a Real Estate Investment Trust ("REIT"). In March, the Commission indicates that approval of Hunt's proposal would be conditioned on a sharing with consumers of tax benefits associated with the fact that REITs pay no taxes. This preliminary ruling triggers OCSC counsel to urge members to file resolutions that would initiate rate proceedings to reduce rates—it also causes EFH debtors to cancel the offer to sell Oncor to Hunt.
- The Texas Supreme Court grants OCSC's petition for review of the 2009 Oncor rate order that denied cities millions of dollars of franchise fee payments.
- The City of Richardson requests that OCSC submit an amicus brief to the Supreme Court in support of its position on relocation of Oncor's electric equipment in Richardson's public rights-of-way.
- At ERCOT, OCSC opposes abusive protocol change endorsed by generators. Additionally, the Committee files comments in Project No. 45572, a project to adjust the Operating Reserve Demand Curve ("ORDC") mechanism.
- The bankruptcy court substitutes an offer by NextEra to acquire Oncor for the Hunt proposal. NextEra files a new STM (Docket No. 46238) with the Commission, and OCSC intervenes on November 1, 2016.

2017

- Hearings on NextEra's STM take place in February, and briefs are filed in March. Again, OCSC, OPUC, TIEC and the Commission Staff argue that the NextEra proposal is not in the public interest, and the Commission rejects NextEra's plan. The Order on Second Motion for Rehearing is entered on June 29, 2017.
- The Texas Supreme Court grants OCSC's petition for review of the 2009 Oncor rate order that denied cities millions of dollars of franchise fee payments.
- Berkshire Hathaway negotiates with counsel for OCSC and the other parties that opposed Hunt and NextEra acquisition proposals and the company agrees to all recommendations for protecting consumers offered by the parties. At the last moment, bankruptcy debtors reject Berkshire Hathaway in favor of a higher price offer from Sempra. Sempra files an STM which becomes Docket No. 47675, and OCSC intervenes.

2018

Sempra makes an offer that incorporates commitments Hunt and NextEra refused to make. The Steering Committee and all other parties agree to stipulate that Sempra's plan is in the public interest. An original settlement agreement signed by OCSC was filed on December 15, 2017. The Agreement is amended several times in January 2018 until it becomes unanimous. The Order approving Sempra's acquisition is signed March 8, 2018. Oncor agrees to a demand by OCSC that if Oncor or Sempra make a filing to change any commitments in the plan agreed to with OCSC within five years of the Commission Order approving Sempra's acquisition, Oncor will reimburse OCSC up to $200,000 to participate in the resulting proceeding.

OTHER COALITIONS

The creation of OCSC as a permanent standing committee of cooperating cities has had a significant influence on other city cooperative efforts in the public utility arena. During the closing years of the 20th Century, for instance, Cities applied the OCSC organizational model to create what would eventually become the Atmos Cities Steering Committee ("ACSC") as a permanent standing committee. Cities saw the need for such a new coalition after it became increasingly obvious during those years that the Lone Star natural gas utility would be filing frequent and possibly annual requests to increase their revenues. This change in the utility's posture came after several decades of virtually no gas rate cases from it at the Texas Railroad Commission. Lone Star Gas eventually became TXU Gas, which then became Atmos Mid Tex. OCSC and ACSC cooperate by holding joint quarterly meetings in which the respective utilities often provide updates of importance to Cities.

Learn more about OCSC, ACSC and TCAP at their websites: citiesservedbyoncor.org, texasgasconsumers.org tcaptx.com.

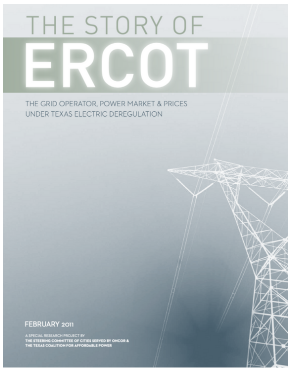
Separately, OCSC's coordinating efforts contributed to the creation in 2001 of a political subdivision corporation known as the Cities Aggregation Power Project, or "CAPP." This in turn influenced South Texas Cities to form a mirror image non-profit corporation known as South Texas Aggregation Project, or "STAP." In 2011, CAPP and STAP merged to create the Texas Coalition for Affordable Power, or "TCAP." These organizations have allowed cities to pool their resources in the state's deregulated power market to purchase electricity in bulk for their own government use.

THE HISTORY OF OCSC LEGAL REPRESENTATION

Representation of Cities Served by Texas Utilities, TXU, TUEC and Oncor was performed from 1989 through 1999 by Geoffrey Gay and Steve Porter of the law firms of Butler & Casstevens and Butler, Porter, Gay and Day between 1989-1999.

On January 1, 2000, Geoffrey Gay and Steve Porter joined the firm now known as Lloyd Gosselink. Representation of OCSC's interests since then, in addition to Geoffrey Gay, has included former partners Steve Porter, Brian Sledge (lobbyist) and Kristen Doyle; and current partners Thomas Brocato, Ty Embry (lobbyist), Georgia Crump and Chris Brewster.

PUBLICATIONS



Lloyd Gosselink technical analyst R.A. Dyer has authored several reports useful in educating legislators and policymakers regarding the complexity of the Texas electric market. These include *The Story of ERCOT*, *The History of Electric Deregulation in Texas*, and a report about proposals to create a capacity market in Texas. Each can be found on the OCSC website, www.citiesservedbyoncor.org.

QUARTERLY OCSC MEETINGS

For at least the past decade, OCSC has hosted regular quarterly meetings in the Dallas-Fort Worth area that all Steering Committee members -- and particularly executive committee representatives -- are encouraged to attend. The quarterly meetings provide an opportunity for Oncor representatives to interact with city representatives other than lawyers advocating Cities' interests and for city representatives to be briefed on issues of significance to the utility, such as ownership transition, new power lines, smart meters, street lighting technology, storm outages, vegetation management, system growth and the need for additional revenue.

ABOUT THE AUTHOR

Geoffrey Gay has functioned as lead counsel or General Counsel to the coalition of Cities dealing with TXU and its affiliates since 1989. Formerly Director of the Office of Public Utility Counsel, Mr. Gay joined the firm of Butler & Casstevens in 1988. There he was designated as the attorney to work with Cities Served by TXU as it began in 1989 to prepare for a rate case in which the central issue would be the prudence of costs associated with the Comanche Peak nuclear power plant. Mr. Gay and the Butler & Casstevens firm were already involved in representing South Texas Cities in similar litigation involving the South Texas Nuclear Project.

Mr. Gay's involvement with TXU goes back more than a decade before representation of Cities Served by TXU. In the late 1970s and early 1980s, he served as lead counsel on behalf of several residential consumer interests in rate cases filed by each of Texas Utilities' operating utility subsidiaries: Texas Electric Service Company (TESCO), Texas Power & Light (TP&L), and Dallas Power & Light (DP&L). The three operating utilities were merged under the name TU Electric ("TUEC") with the approval of the Texas Public Utility Commission ("PUC") in 1984. Mr. Gay litigated that merger case on behalf of the Office of Public Utility Counsel.

As of the writing of this history, Mr. Gay's perspective stems from more than 40 years of addressing Oncor's (and predecessor company) rates and franchises and 30 years representing cities in dealing with Oncor issues.

Mr. Gay has received Best Lawyer commendations annually since 1993, has been recognized as a Super Lawyer on several occasions beginning in 2003, and was recognized by the Austin Business Journal among "Who's Who in Energy – Austin." He has AV preeminent recognition from Martindale-Hubble and is highly rated by Chambers USA. He was elected a trustee of the American Bar Foundation.