



**SAM RAYBURN
MUNICIPAL
POWER
AGENCY**

1829 Sam Houston
Liberty
Texas
77575

936.336.3684

Mayor Carl Pickett
Liberty City Council
1829 Sam Houston
Liberty TX 77575

April 22, 2013

RE: SRMPA Resignation

Dear Mayor Pickett & City Council Members:

Effective April 22, 2013, I resign my position as President and Board Member of the Sam Rayburn Municipal Power Agency (SRMPA). There are many local, internal and political factors involved in this decision and it is not an easy one to make. As a member of the SRMPA Board since May, 1998 and President of the Board since August, 1999, I have enjoyed my time of service and believe that great strides toward rate reduction, rate stabilization, credit worthiness and overall Agency stability have been made.

During my tenure on the Board and as President, improving the rate base and overall health of SRMPA has been my goal and main objective. My law degree and finance degree were invaluable tools in understanding the many complexities of our nation's electrical industry and implementing positive changes. Some of the noted milestones are as follows:

1. In November, 1998, the new Requirements Power Supply Agreement (RPSA) was negotiated with Entergy resulting in the first rate reduction for the SRMPA member cities of Liberty, Livingston & Jasper;
2. The first refunding of the existing bonded indebtedness resulted in the second significant rate reduction for the three SRMPA member cities;
3. The second refunding of the existing bonded indebtedness resulted in the third rate reduction of an additional 10% to the member cities;
4. SRMPA sought a new business opportunity and then began separate negotiations with Entergy, called The Cambridge Project, resulting in additional SRMPA revenue of approximately \$4 million in its first year, coupled with a Supplemental Requirements Power Supply Agreement (S-RPSA) that will extend the negotiated municipal power supply contract and potential revenue through the year 2035.
5. Negotiations with Entergy have resulted in a power supply contract through the year 2021 (RPSA) and then continuing through the year

- 2035 (S-RPSA) both contracts ensure stable rates for SRMPA and the member cities moving forward;
6. Since 1998, actions have been taken that greatly improved SRMPA's credit rating from junk bond status to investment grade status. The current upgrade by all three (3) credit rating agencies resulted in lowering the cost of debt issuance by SRMPA and its member cities;
 7. Ongoing federal coordination efforts with Congress and the Corps of Engineers have resulted in better communication regarding power citizens receive from Sam Rayburn Dam and Robert D. Willis Dam;
 8. The 1993 rate projections forecasted a wholesale rate to the cities of 120 mils in 2013. At present day, our rate after the second refunding is less than was projected and is currently 71 mils; which is significantly less than projected and is 5 mils less than prior to the RPSA contract in 1998 that led to the first rate reduction.
 9. The excess "headroom" originally negotiated in the RPSA contract was adjusted and the new "headroom" negotiated in the S-RPSA will sustain future load growth and member city economic development. This allows the value of the new headroom to be recaptured through net income from the Cambridge Project; and
 10. Transferring SRMPA's ownership in the Nelson 6 Generating Plant to Entergy eliminated the risks associated with plant ownership, fuel costs, back up and emergency power, environmental risk and decommissioning costs.

I am confident the Agency now enjoys a strong financial position, with a positive, solid credit rating and is in better overall economic health than when I took office. Ensuring continued effective and efficient SRMPA business operations will require the Board to take prompt and appropriate action.

It has been my honor to serve as SRMPA Board President for the past thirteen years, and most of all, to serve the citizens of Liberty. I was elected Mayor in 1998 to reduce and stabilize electrical rates. Since that date, this has been my main priority. Even though I was not compensated for my service on the Board, I have been greatly blessed with the experience to serve my neighbors. It is my wish that the new President and current Board Members will continue to explore ways to further reduce and stabilize rates for the member cities, their rate payers and all their citizens. My best wishes to all and the future of SRMPA. I am,

Sincerely yours,



Bruce E. Halstead
President - SRMPA