
PRESS RELEASE

InfraREIT's Regulated Subsidiary Files Amended Rate Case with the Public Utility Commission of Texas

DALLAS, TEXAS, Jan. 3, 2017—InfraREIT, Inc. (NYSE: HIFR) (“InfraREIT” and, together with its subsidiaries, the “Company”) today announced that its regulated subsidiary, Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”), and its tenant, Sharyland Utilities, L.P. (“Sharyland”), filed an amended rate case application and rate filing packages on Dec. 30, 2016, with the Public Utility Commission of Texas (“PUCT”), under Docket No. 45414, consistent with a preliminary order issued in October 2016. The amended rate case application requested PUCT approval of a tariff establishing terms and conditions for the leases between Sharyland and SDTS as well as a request for the PUCT to issue SDTS its own certificate of convenience and necessity.

InfraREIT’s regulated subsidiary, SDTS, and Sharyland are requesting the following rate case metrics:

- Allowed return on equity of 10 percent;
- Maintaining the current capital structure of 55 percent debt and 45 percent equity; and
- A reduction in cost of debt to 4.97 percent, down from 6.73 percent.

“In preparing these rate filing packages we worked diligently to develop a proposal for approving lease payments that incorporates the guidelines contained in the PUCT’s October Preliminary Order while also meeting REIT requirements,” said David A. Campbell, President and Chief Executive Officer of InfraREIT and Chief Executive Officer of Sharyland.

The rate case filing highlighted the significant capital investments since Sharyland’s prior rate case filing, which was based on a 2012 test year. In the Texas Panhandle there has been over \$600 million in transmission investment supporting the development of clean, cost-effective, renewable energy for customers in Texas. Additionally, during the past three years more than \$300 million in transmission and distribution infrastructure investment has been made to renovate and update the Stanton, Brady and Celeste (“SBC”) electric systems acquired from Cap Rock Energy in 2010. This investment was also needed to support the significant load growth of approximately 15 percent per year over the past five years, primarily due to increased oil and gas exploration and production activity throughout the West Texas region.

Other elements of the original filing remain intact, including the consolidation of Sharyland’s two existing tariffs (one for its SBC service territories and one for its McAllen service territory) into a single tariff that will set uniform system-wide rates, as required by Sharyland’s prior rate case. The filing proposes minimal changes to the regulated delivery rates for the average residential customer in its SBC service territories and results in an approximately \$55 per month increase, including riders, for the average McAllen residential customer. The current rate case will be the first full review of rates since 2001 in the McAllen service territory where Sharyland has subsidized rates for the past 16 years.

Also, the amended rate case application proposes that the Company’s leases will now be directly regulated by the PUCT as part of an SDTS tariff based on two leases. Assets under the two leases will be grouped by asset type, transmission and distribution, instead of the Company’s current five leases which are primarily based on geography. The new leases will each have a four-year term compared to the multi-year, staggered terms that exist under the Company’s current leases and will become effective on the implementation date of the new rates

established in this rate case proceeding. The lease payments under the new lease structure are designed to continue to comply with the “true lease” requirement and other tax rules applicable to real estate investment trusts (“REIT”). Sharyland will continue to have operational control over SDTS’s assets. Sharyland will also remain primarily responsible for regulatory compliance and reporting requirements related to SDTS’s assets, on behalf of and with the cooperation of SDTS.

Under the proposed lease agreements Sharyland will continue to pay base and percentage rent. Sharyland will pay a fixed base rent to SDTS monthly, while percentage rent will continue to be paid quarterly. The PUCT will establish the base rent rate, percentage rent rate and annual percentage rent breakpoints in this rate case. The base rent payments will be updated through interim transmission cost of service (“TCOS”) and distribution cost recovery factor (“DCRF”) filings with the PUCT. These updates will replace the current rent supplements and validation process in the Company’s existing lease structure.

The percentage rent will be an annual amount equal to the applicable percentage rent rate of adjusted gross revenues collected by Sharyland during the year in excess of the applicable annual percentage rent breakpoint. The transmission lease will have a one-tier annual percentage rent breakpoint while the distribution lease will contain two-tiers of annual percentage rent breakpoints and percentage rent rates. The percentage rent rate and the annual percentage rent breakpoints will not change between rate cases. The two-tier breakpoints in the distribution lease provide a mechanism for SDTS and Sharyland to allocate revenues between the two companies associated with normal load growth.

The initial hearings for the rate case are currently scheduled for March 29 to April 7, 2017, with the jurisdictional deadline for the PUCT final order set for July 3, 2017.

Supplemental information on Sharyland’s and SDTS’s rate cases can be found at www.InfraREITInc.com under the “Investor Relations/Rate Regulation” section as well as “About InfraREIT/Sharyland Utilities-Our Tenant” section of the Company’s Web site. InfraREIT will also post updates to this section of the Company’s Web site as new information becomes available.

About InfraREIT, Inc.

InfraREIT is a real estate investment trust that owns rate-regulated electric transmission and distribution assets in the state of Texas. The Company is externally managed by Hunt Utility Services, LLC, an affiliate of Hunt Consolidated, Inc. (a diversified holding company based in Dallas, Texas and managed by the Ray L. Hunt family), and the Company’s shares are traded on the New York Stock Exchange under the symbol “HIFR”. Additional information on InfraREIT is available at <http://www.InfraREITInc.com>.

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Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the federal securities laws. These statements state the current expectations or intentions of the Company regarding future events, which by their nature involve known and unknown risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated above include, among others, risks and uncertainties related to the outcome of the rate case. These and other applicable uncertainties, factors and risks are described more fully in the Company’s filings with the U.S. Securities and Exchange Commission.

Any forward-looking statement made by the Company in this press release is based only on information currently available to InfraREIT and speaks only as of the date on which it is made. InfraREIT undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than required by applicable law.

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