This Order addresses the joint report and application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C. (SDTS), Sharyland Utilities, L.P., and Sempra Energy (collectively, the joint applicants) for Commission approval of a series of mutually dependent transactions. The transactions will result in Oncor owning a significant portion of SDTS’s assets in a wholly-owned subsidiary, which will be referred to in this Order as the North Texas Utility. In addition, the transactions will convert Sharyland Utilities, L.P. into a Delaware limited liability company, Sharyland Utilities, L.L.C., which will own transmission assets solely in the South Texas region. In addition, Sempra Energy intends to acquire an indirect 50% ownership interest in the restructured Sharyland Utilities, L.L.C. The joint applicants have also requested Commission approval of the necessary amendments to the certificates of convenience and necessity (CCNs) of Sharyland Utilities, L.P. and SDTS to authorize the North Texas Utility and Sharyland Utilities, L.L.C. to own, operate, and maintain their respective post-exchange assets.

The joint applicants have stated that none of the agreements underlying the transactions will become effective without closing of the others. The joint applicants and other parties to the docket entered into an unopposed settlement agreement that resolves all issues among the parties. The agreement contains numerous regulatory commitments by the joint applicants. For the reasons discussed in this Order, the Commission finds that the proposed transactions, as modified by the revised settlement agreement and this Order, are in the public interest under PURA §§ 14.101,
39.262(l) through (o), and 39.915, because of the regulatory commitments that have been made by the joint applicants as described in this Order.

The joint applicants, Commission Staff, the Office of the Public Utility Counsel (OPUC), the Alliance for Retail Markets (ARM), the Steering Committee of Cities Served by Oncor (Cities), the Texas Energy Association for Marketers (TEAM), and the Texas Industrial Energy Consumers (TIEC) entered into an unopposed settlement agreement dated April 5, 2019. On April 9, 2019, a revised settlement agreement reflecting various non-substantive changes was filed, with an additional signatory, Hunt Consolidated, Inc. (collectively, with the parties to the April 5 agreement, the signatories). The other parties to this docket—the Electric Reliability Council of Texas, Inc. (ERCOT); the City of Lubbock; Golden Spread Electric Cooperative, Inc.; and the Texas Cotton Ginners’ Association—did not join, but do not oppose, the revised settlement agreement.

I. Discussion

A. The Proposed Transactions and the Related GS-CV Transactions

This docket involves multiple transactions that will occur concurrently, all of which are required to accomplish the following results: (1) the termination of the real estate investment trust (REIT) status of InfraREIT and of agreements between SDTS and Sharyland Utilities, L.P. by which Sharyland Utilities, L.P. leases and operates SDTS’s assets; (2) SDTS becoming the North Texas Utility, an indirect, wholly-owned subsidiary of Oncor that will own transmission and distribution assets previously owned by either Sharyland Utilities, L.P. or SDTS in north, central, and west Texas, including the Golden Spread project and the Lubbock Power & Light (LP&L) projects; and (3) Sharyland Utilities, L.P. (through its successor Sharyland Utilities, L.L.C.) remaining a utility that owns transmission and distribution assets previously owned by either

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2 The term LP&L projects refers to the transmission projects that are necessary to integrate a portion of the load served by Lubbock Power & Light into ERCOT, which integration was approved by the Commission in Docket No. 47576. SU Ex. 1 at 5:3–6.
Sharyland Utilities, L.P. or SDTS in south Texas, with Sempra Energy indirectly owning 50% of Sharyland Utilities, L.L.C.\textsuperscript{3}

The first transaction is governed by an asset exchange agreement\textsuperscript{4} that re-aligns the transmission assets and certain related assets owned by Sharyland Utilities, L.P. and SDTS and results in SDTS’s ownership of transmission and distribution assets only in north, central, and west Texas, and Sharyland Utilities, L.P.’s ownership (through its successor Sharyland Utilities, L.L.C.) of transmission and distribution assets only in south Texas.\textsuperscript{5} Under the asset exchange agreement, Sharyland Utilities, L.P. will transfer the equity interest GS Project Entity, L.L.C. (the owner of the Golden Spread Project), the LP&L projects, and certain generation interconnection agreements, along with associated assets, liabilities, and working capital, to SDTS.\textsuperscript{6} In exchange, Sharyland Utilities, L.P. will receive all of SDTS’s assets located in south Texas, including the high-voltage direct-current tie and associated transmission facilities in the McAllen area.\textsuperscript{7} The assets will be exchanged at net book value, and any difference will be paid in cash at closing.\textsuperscript{8} As of June 30, 2018, the assets that Sharyland Utilities, L.P. will transfer to SDTS have a net book value of $115.5 million, and the assets that SDTS will transfer to Sharyland Utilities, L.P. have a net book value of $104.8 million.\textsuperscript{9}

The second transaction is governed by the Oncor merger agreement\textsuperscript{10} and will result in Oncor’s direct or indirect ownership of all outstanding ownership interests of InfraREIT and InfraREIT Partners (including indirect ownership of SDTS) and in InfraREIT’s status as a REIT


\textsuperscript{4} Agreement and Plan of Merger by and among Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, L.L.C., and Oncor Electric Delivery Company LLC (Oct. 18, 2018); Oncor Ex. 1 at Exhibit DJC-1.

\textsuperscript{5} Joint Applicants Ex. 1 at 11; Oncor Ex. 1 at 11:22–28 and Exhibit DJC-1.

\textsuperscript{6} Joint Applicants Ex. 1 at 5; SU Ex. 1 at 8:20–23 and Exhibit DGW-4.

\textsuperscript{7} SU Ex. 1 at 8:23–26 and Exhibit DGW-4.

\textsuperscript{8} Id., 9:1–2.

\textsuperscript{9} Id., 9:2–4.

\textsuperscript{10} Agreement and Plan of Merger by and Among Oncor Electric Delivery Company LLC, 1912 Merger Sub LLC, Oncor T&D Partners, L.P., InfraREIT, Inc., and InfraREIT Partners, LP (Oct. 18, 2018); Oncor Ex. 1 at Exhibit DJC-2.
being terminated. InfraREIT’s separate corporate existence will cease after the merger, thus eliminating the current REIT structure, and Oncor will operate and indirectly own SDTS’s post-asset exchange assets through its wholly-owned subsidiary, the North Texas Utility, which will be the surviving entity of the merger. The aggregate purchase price for InfraREIT under the Oncor merger agreement is approximately $1.275 billion, resulting in InfraREIT’s stockholders and limited partners of InfraREIT Partners receiving $21.00 per share in cash. Oncor will also assume or refinance approximately $945 million of existing InfraREIT debt.

The third transaction is governed by the Sempra purchase agreement, which involves Sempra Energy’s purchase of 50% of the indirect, equity interests of the restructured Sharyland Utilities, L.L.C. Sharyland Utilities, L.P. will be converted into a Delaware limited liability company, Sharyland Utilities, L.L.C. After the conversion, Sempra Texas, a wholly-owned subsidiary of Sempra Energy, will acquire 50% of the limited-partner interests in Sharyland Holdings, L.P., which will own 100% of the equity interests in Sharyland Utilities, L.L.C., for approximately $98 million, subject to customary adjustments.

This docket also involves two related transactions in which GS Project Entity, L.L.C. (the owner of the Golden Spread project) will merge into the North Texas Utility, and CV Project Entity, L.L.C. (the owner of the Cross Valley project) will merge into Sharyland Utilities, L.L.C. (together, the related GS-CV transactions). The related GS-CV transactions facilitate the complete division of the North Texas Utility assets from Sharyland Utilities, L.L.C.’s assets.

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11 Oncor Ex. 1 at 12:6–9.
12 Direct Testimony of Brant Meleski, SDTS Exhibit 1 at 8:13–15.
13 SU Ex. 1 at 9:4–7.
15 Agreement and Plan of Merger by and Among Oncor Electric Delivery Company LLC, 1912 Merger Sub LLC, Oncor T&D Partners, LP, InfraREIT, Inc., and InfraREIT Partners, LP (Oct. 18, 2018); Direct Testimony of Trevor I. Mihalik, Sempra Ex. 1 at 7:10–12 and 17:4; SU Ex. 1 at Exhibit DGW-5; Oncor Ex. 1 at 12:18–21.
16 Sempra Ex. 1 at 17:5–11; SU Ex. 1 at 9:10–13.
17 The Cross Valley project refers to an approximately 50% interest of the 345-kV, North Edinburg–Loma Alta transmission line. Sharyland Utilities, L.P. obtained the CCN for this line in Docket No. 41606. SU Ex. 1 at 4:21–5:3.
18 Oncor Ex. 1 at 12:28–30.
19 Direct Testimony of Stephen N. Ragland, Oncor Ex. 3 at 8:16–18.
goal of these mergers is to eliminate additional corporate entities once they are no longer necessary.20

B. Regulatory Commitments

Oncor, Sempra Energy, and Sharyland Utilities, L.P. agreed to the regulatory commitments set forth in findings of fact 79 through 100 below. These commitments include, among others, a commitment to provide $17 million in merger-savings rate credits, a commitment to provide rate credits equal to 90% of any interest-rate savings realized, and a commitment to implement a ring fence at Sharyland Utilities, L.L.C. In addition, Oncor and Sharyland Utilities, L.P. have committed not to seek recovery of certain outstanding regulatory assets.

The Commission finds that all regulatory commitments discussed in this Order must be imposed in order to find that the proposed transactions and the related GS-CV transactions are in the public interest under PURA §§ 14.101, 39.262(l) through (m), and 39.915. Moreover, the Commission may enforce these regulatory commitments under PURA §§ 39.262(o) and 39.915(d).

The Commission adopts the following findings of fact and conclusions of law.

II. Findings of Fact

Application

1. On November 30, 2018, Oncor, SDTS, Sharyland Utilities, L.P., and Sempra Energy (collectively, the joint applicants) jointly filed a report and application for Commission approval of the proposed transactions and the related GS-CV transactions under PURA §§ 14.101, 37.154, 39.262(l) through (m), and 39.915.

2. In Order No. 3 issued December 20, 2018, the Commission administrative law judge (ALJ) found the application sufficient, memorialized the prehearing conference, and adopted a procedural schedule.

Notice

3. In Order No. 3 issued December 20, 2018, the Commission ALJ found the proposed notice reasonable.

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20 Oncor Ex. 3 at 8:18–19.
4. Oncor provided notice of the transactions at issue in this docket by first-class mail to the following: (a) all affected counties and municipalities; (b) all entities listed in the Commission’s transmission matrix in Docket No. 47777;\(^{21}\) (c) all neighboring utilities and electric cooperatives of Sharyland Utilities, L.P. and SDTS; and (d) all authorized representatives for parties in Docket No. 45414.\(^ {22}\)

5. Notice of the proposed transactions was published in newspapers having general circulation in all counties served by Oncor, Sharyland Utilities, L.P., and SDTS, including those counties in which the assets to be exchanged under the asset exchange agreement are located. The notice was published once a week for two consecutive weeks within the periods of December 19, 2018 through January 16, 2019, with the exception of The Texas Spur, which published notice on January 17 and 24, 2019, based on its extended holiday closure.

6. On February 5, 2019, the joint applicants filed the affidavit of Teri Smart, director of regulatory support and compliance for Oncor, who attested that Oncor had provided notice as described in findings of fact 4 and 5.

**Intervenors**

7. In Order No. 2 issued December 11, 2018, the Commission granted OPUC’s and Cities’ motions to intervene.

8. On December 18, 2018, the Commission ALJ held a prehearing conference and granted the motions to intervene of TIEC, the Texas Cotton Ginners’ Association, and the City of Lubbock through Lubbock Power & Light (Lubbock).

9. In Order No. 5 issued January 14, 2019, the Commission ALJ granted the motions to intervene of ERCOT, ARM, and TEAM.

10. In Order No. 6 issued January 17, 2019, the Commission ALJ granted the motion to intervene of Golden Spread Electric Cooperative, Inc.

\(^{21}\) Commission Staff’s Application to Set 2018 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas, Docket No. 47777, Order (Mar. 29, 2018).

11. On April 8, 2019, Hunt Consolidated, Inc. filed a late motion to intervene.

12. On April 10, 2019, the ALJ granted Hunt Consolidated, Inc.’s motion to intervene.

**Testimony**

13. On December 18, 2018, SDTS filed the supplemental direct testimony of Brant Meleski.


15. On February 13, 2019, Commission Staff filed its response to the joint applicants’ supplemental direct testimony and its recommendation on rate issues.

16. On February 21, 2019, the joint applicants filed their reply to Commission Staff’s February 13, 2019 filings.

17. On February 21, 2019, Oncor filed a response to Commission Staff’s recommendation on rate issues.

18. On February 28, 2019, the Texas Cotton Ginners’ Association filed its statement of position.

19. On March 5, 2019, Golden Spread filed its statement of position.

20. On March 5, 2019, Cities filed the direct testimony of Lane Kollen, ERCOT filed the direct testimony of William Blevins, TIEC filed the direct testimony of Charles S. Griffey, and OPUC filed the direct testimony of Cynthia L. Zamora.

21. On March 22, 2019, Commission Staff filed the direct testimonies of John Antonuk, Blake Ianni, Anna Givens, Darryl Tietjen, and Nancy Palma.

22. On March 27, 2019, ERCOT filed the supplemental direct testimony of William Blevins.

23. On April 3, 2019, the joint applicants filed their rebuttal testimony: Oncor filed the rebuttal testimonies of Don J. Clevenger, Stephen N. Ragland, Wesley R. Speed, and Salvatore P. Montalbano; Sharyland Utilities, L.P. filed the rebuttal testimonies of Ellen Lapson and D. Greg Wilks; and Sempra Energy filed the rebuttal testimony of Trevor I. Mihalik.
Scope of Hearing

24. On January 18, 2019, the Commission issued a preliminary order identifying the issues to be addressed in this proceeding.

25. On February 28, 2019, the Commission referred this docket to the State Office of Administrative Hearings (SOAH) for the limited purpose of considering and resolving all discovery disputes.

26. On March 1, 2019, the Commission issued an amended preliminary order identifying the issues to be addressed and not to be addressed in this proceeding.

27. In SOAH Order No. 1 issued March 7, 2019, the SOAH ALJ addressed discovery disputes and requested the filing of a statement indicating whether any additional discovery issues were ripe for a ruling.

Settlement Agreement

28. On April 5, 2019, the joint applicants, Commission Staff, OPUC, ARM, Cities, TEAM, and TIEC filed a settlement agreement.

29. On April 8, 2019, the Commission ALJ held a prehearing conference in which the following evidence was admitted into the record: (a) the joint report and application, including the direct testimonies of Don J. Clevenger, Stephen N. Ragland, Wesley R. Speed, Salvatore P. Montalbano, Brant Meleski, D. Greg Wilks, and Trevor I. Mihalik; (b) an affidavit attesting to the provision of notice; (c) the supplemental direct testimony of Brant Meleski, filed on December 18, 2018; (d) the supplemental direct testimonies of Stephen N. Ragland, Wesley R. Speed, and D. Greg Wilks, filed on February 1, 2019; (e) the direct testimony of Lane Kollen filed on behalf of Cities on March 5, 2019; (f) the direct testimony of William Blevins filed on behalf of ERCOT on March 5, 2019; (g) the direct testimony of Charles Griffey filed on behalf of TIEC on March 5, 2019; (h) the direct testimony of Cynthia Zamora filed on behalf of OPUC on March 5, 2019; (i) the direct testimonies of John Antonuk, Blake Ianni, Anna Givens, Darryl Tietjen, and Nancy Palma filed on behalf of Commission Staff on March 22, 2019.

30. On April 9, 2019, the signatories filed the revised settlement agreement to reflect various non-substantive changes to the settlement agreement and to add Hunt Consolidated, Inc. as
an additional signatory (collectively, with the parties to the April 5 agreement, the signatories).

31. The signatories agreed that the revised settlement agreement resolves all issues among them related to this proceeding and that the revised settlement agreement is binding on each of the signatories for the purpose of resolving the issues set forth in the revised settlement agreement.

**Description of the Transactions**

32. The joint report and application and the direct testimonies of Don J. Clevenger and D. Greg Wilks describe the proposed transactions.

33. In the joint report and application, the joint applicants requested Commission approval of the following: (a) the proposed exchange of transmission assets between SDTS and Sharyland Utilities, L.P. that will result in SDTS's ownership of transmission assets exclusively in north, central, and west Texas (including the Golden Spread project and the LP&L projects) and certain other related assets, and in Sharyland Utilities, L.P.'s ownership of transmission assets exclusively in south Texas; (b) the necessary amendments to the CCNs of Sharyland Utilities, L.P. and SDTS to authorize the North Texas Utility and Sharyland Utilities, L.L.C. to own, operate, and maintain their respective post-exchange assets; (c) the proposed acquisition by Oncor of InfraREIT, Inc. and InfraREIT Partners; (d) the proposed acquisition by Sempra Energy of a 50% indirect interest in Sharyland Utilities, L.L.C. (collectively with (a), (b), and (c), the proposed transactions); and (e) the related GS-CV transactions.

34. Sharyland Utilities, L.P.'s equity interest in SDTS is cancelled as a result of the asset exchange agreement.

35. The asset exchange agreement aligns the assets that SDTS and Sharyland Utilities, L.P. hold today into two distinct, geographically aligned utilities: the North Texas Utility and Sharyland Utilities, L.L.C.

36. Under the asset exchange agreement, the difference between the net book value of the assets exchanged between SDTS and Sharyland Utilities, L.P. will be paid in cash at closing.
37. Oncor, InfraREIT, InfraREIT Partners, 1912 Merger Sub LLC, and Oncor T&D Partners, LP entered into the Oncor merger agreement dated October 18, 2018. Under the Oncor merger agreement, Oncor will acquire InfraREIT and InfraREIT Partners, resulting in Oncor owning and operating all of SDTS's post-transaction assets.

38. Under the Oncor merger agreement, Oncor will acquire InfraREIT and InfraREIT Partners through (a) a cash payment of $21.00 per share to InfraREIT’s stockholders and per partnership interest to InfraREIT Partners’ limited partners, totaling approximately $1.275 billion and (b) assumption or refinancing of the outstanding debt of InfraREIT’s subsidiaries Transmission and Distribution Company, L.L.C. and SDTS (approximately $945 million as of September 30, 2018).

39. Oncor intends to finance the cash purchase price with capital contributions from Sempra Energy and Texas Transmission Investment LLC (TTI) under an equity-commitment letter dated October 18, 2018, entered into by Oncor, Sempra Energy, and certain of TTI’s indirect owners. Sempra Energy indirectly owns 80.25% of Oncor, and TTI owns the remaining 19.75%. Sempra Energy and TTI will provide capital contributions in proportion to their ownership interests.

40. SU Investment Partners, L.P. (SUIP)—the current owner of 100% of the limited partnership interest in Sharyland Utilities, L.P.—Sharyland Utilities, L.P., Sempra Energy, and a Sempra Energy affiliate entered into the Sempra purchase agreement dated October 18, 2018.

41. Under the Sempra purchase agreement, Sharyland Utilities, L.P. will be converted into a Delaware limited liability company, Sharyland Utilities, L.L.C.

42. Under the Sempra purchase agreement, Sempra Energy will purchase (through its wholly-owned subsidiary Sempra Texas Utilities Holdings I, LLC) a 50% limited partnership interest in a newly formed Delaware limited partnership expected to be named Sharyland Holdings, L.P. Sharyland Holdings will own a 100% interest in Sharyland Utilities, L.L.C., the successor to Sharyland Utilities, L.P.

43. Sempra Energy will pay SUIP approximately $98 million for the 50% indirect limited partnership interest in Sharyland Holdings. To fund Sempra Energy’s acquisition of the
50% interest in Sharyland Holdings and its capital contribution to Oncor for Oncor’s acquisition of InfraREIT, Sempra Energy plans to use the proceeds it has already received or will receive from selling approximately 980 megawatts (MW) of its operating United States solar portfolio and development projects, its 724 MW United States wind portfolio, and its non-utility, natural-gas storage assets.

44. The asset exchange agreement, Oncor merger agreement, and Sempra purchase agreement are mutually dependent on each other, and none will become effective without the closing of the others.

45. The joint applicants also requested approval of the related GS-CV transactions in which two corporate entities that will no longer be needed (GV Project Entity, L.L.C. and CV Project Entity, L.L.C.) will be merged into the North Texas Utility and Sharyland Utilities, L.L.C., respectively.

CCNs

46. The signatories agreed to the amendments of the CCNs of SDTS, Sharyland Utilities, L.P., and Oncor under PURA § 37.154 to authorize the North Texas Utility and Sharyland Utilities, L.L.C. to own, operate, and maintain their respective assets after the proposed transactions close.

a. Under the agreement, all CCN rights associated with assets that will be owned by Sharyland Utilities, L.L.C. after closing of the proposed transactions are transferred to CCN 30192, which will remain with Sharyland Utilities, L.L.C. after the closing of the proposed transactions;

b. Under the agreement, all CCN rights associated with west Texas assets are transferred to the three CCNs that originated with Cap Rock assets (CCNs 30026, 30114, and 30191) in Dawson, Borden, Andrews, Martin, Howard, Mitchell, Ector, Midland, Glascock, Upton, and Reagan counties, and these CCNs will be held by the North Texas Utility after the closing of the proposed transactions; and

c. Under the agreement, all CCN rights associated with the remaining assets that are part of the proposed transactions are transferred to CCN 30198, which will be held by the North Texas Utility after the closing of the proposed transactions. Those
assets are located in Oldham, Potter, Carson, Deaf Smith, Randall, Armstrong, Castro, Swisher, Briscoe, Hale, Floyd, Motley, Crosby, Dickens, Haskell, Throckmorton, Young, Taylor, Runnels, Coleman, Brown, Mills, McCullough, San Saba, and Lampasas counties.

47. The North Texas Utility and Sharyland Utilities, L.L.C. are capable of providing adequate service.

48. The amendments to the CCNs of SDTS, Sharyland Utilities, L.P., and Oncor under the agreement are reasonable, provided the proposed transactions are consummated.

**Establishment of Separate Wholesale Rates and Tariffs**

49. Under the agreement, separate wholesale-transmission rates and tariffs are established for the North Texas Utility's assets and Sharyland Utilities, L.L.C.'s assets based on the bifurcation of Sharyland Utilities, L.P.'s current wholesale-transmission-service rate, which is $3.745003 per kilowatt (kW), on a net plant basis. This method results in approximately 86.15% of Sharyland Utilities, L.P.’s current wholesale-transmission-service rate being charged by the North Texas Utility and approximately 13.85% of Sharyland Utilities, L.P.’s current wholesale-transmission-service rate being charged by Sharyland Utilities, L.L.C. This method results in the following reasonable rates: the North Texas Utility will charge a wholesale-transmission-service rate that is $3.226341 per kW, and Sharyland Utilities, L.L.C. will charge a WTS rate that is $0.518662 per kW.

50. The signatories agreed that the North Texas Utility and Sharyland Utilities, L.L.C. will each file a compliance tariff reflecting the applicable rate within ten days after the Commission’s order in this proceeding becomes final.

51. The bifurcation method proposed under the revised settlement agreement is a reasonable method for establishing separate rates for the North Texas Utility and Sharyland Utilities, L.L.C. after the proposed transactions close.

**Approval of Tariffs for the North Texas Utility and Sharyland Utilities, L.L.C.**

52. The signatories agreed that Sharyland Utilities, L.L.C. will file Sharyland Utilities, L.P.’s existing tariff and rate schedules, with the wholesale-transmission-service rate revised
consistent with the bifurcation method described above in finding of fact 49, as a compliance filing within ten days after this Order becomes final.

53. Oncor agreed to file a compliance tariff on behalf of the North Texas Utility within ten days after this Order becomes final. Oncor agreed that the compliance tariff will be consistent with the existing tariff for Oncor and will include (a) the wholesale-transmission-service rate revised in accordance with the bifurcation method described above in finding of fact 49 and (b) the wholesale-distribution-substation-service rate and rider transition costs as those rates currently appear in Sharyland Utilities, L.P.’s existing tariff.

54. It is reasonable that such compliance tariffs be filed so that Commission Staff can review those tariffs for compliance with this Order.

Consolidation of Oncor and the North Texas Utility for Ratemaking Purposes

55. The signatories agreed that Oncor may consolidate the North Texas Utility with Oncor for ratemaking purposes and make a combined rate filing in Oncor’s next base-rate case, which is to be filed no later than October 2021.

56. The consolidation of the North Texas Utility with Oncor for ratemaking purposes in Oncor’s next base-rate case is reasonable.

The North Texas Utility Consolidation

57. The signatories agreed that the North Texas Utility will be merged into Oncor once all assets acquired in Docket No. 48929 are fully depreciated.

58. It is reasonable for the North Texas Utility to apply to be merged into Oncor once all assets acquired in Docket No. 48929 are fully depreciated.

Consolidation of Oncor and the North Texas Utility for Earnings-Monitoring Report Purposes

59. The signatories agreed that Oncor may consolidate the North Texas Utility with Oncor for purposes of calculation and reporting of its earnings-monitoring report and for purposes of compliance with finding of fact 56 of the order in Docket No. 47675.23

60. It is reasonable for Oncor to consolidate the North Texas Utility with Oncor for purposes of calculation and reporting of its earnings-monitoring report and for purposes of compliance with finding of fact 56 of the order in Docket No. 47675.

**Cash Equity Contributions**

61. The signatories agreed for the cash equity contributions invested by Oncor’s owners used to directly finance the transactions contemplated by the asset exchange agreement dated October 18, 2018 to be included in the calculations reported in Oncor’s earnings-monitoring report solely for purposes of determining compliance with Oncor’s debt-to-equity ratio requirement as set by finding of fact 56 in the order in Docket No. 47675.

62. It is reasonable for the cash equity contributions invested by Oncor’s owners used to directly finance the transactions contemplated by the asset exchange agreement dated October 18, 2018 to be included in the calculations reported in Oncor’s earnings-monitoring report solely for purposes of determining compliance with Oncor’s debt-to-equity ratio requirement as set by finding of fact 56 in the order in Docket No. 47675.

**Sharland Utilities, L.L.C. Base-Rate Case**

63. The signatories agreed that Sharyland Utilities, L.L.C. will file a base-rate case no later than December 31, 2020, based on a historical 12-month test year beginning on July 1, 2019 if the proposed transactions close on or before June 30, 2019. If the proposed transactions close after June 30, 2019, the test year will begin on the first day of the month following the closing of the proposed transactions.

64. Allowing Sharyland Utilities, L.L.C. to complete a test year after the closing of the transactions constitutes good cause to grant Sharyland Utilities, L.P. (and its successor Sharyland Utilities, L.L.C.) an exception to the requirement contained in 16 TAC § 25.247 that it file a rate case by July 1, 2020.

65. It is reasonable that Sharyland Utilities, L.L.C. be required to file a base-rate case consistent with finding of fact 63.
Oncor’s Provision of Operations and Maintenance Services to the North Texas Utility

66. The signatories agreed that Oncor’s provision of operations and maintenance services to the North Texas Utility does not require a tariff and does not require that those services be made available to third parties.

67. Given the nature of the proposed transactions, it is reasonable for Oncor to provide operations and maintenance services to the North Texas Utility without a tariff and without making those services available to third parties.

Oncor’s Provision of Operations Services to Sharyland Utilities, L.L.C.

68. The signatories agreed that as long as Oncor and Sharyland Utilities, L.L.C. are affiliates, Oncor may provide operations services to Sharyland Utilities, L.L.C., subject to the following conditions:
   a. Pricing compensates Oncor fully for its direct, overhead, and indirect costs, depreciation on assets acquired or used to provide operations services to Sharyland Utilities, L.L.C., and carrying costs between incurrence and payment for services;
   b. The basis for calculating charges for untimely invoice payment is 5% per annum; and
   c. Within 90 days of closing, Oncor and Sharyland Utilities, L.L.C. will submit to the Commission a fully detailed pricing basis that defines and quantifies the pricing basis of all services and transactions in a manner that would permit independent verification of proper pricing.

69. It is reasonable for Oncor to provide operations services to the Sharyland Utilities, L.L.C., as long as Oncor and Sharyland Utilities, L.L.C. are affiliates, subject to the conditions set forth above, without a tariff and without making those services available to third parties.

Cancellation of Sharyland Utilities L.P.’s Interest in SDTS

70. The signatories agreed that the cancellation of Sharyland Utilities, L.P.’s interest in SDTS, including all of Sharyland Utilities, L.P.’s equity interests (as defined in the asset exchange agreement) and related economic and management interests in SDTS, should be approved.
71. Oncor, Sharyland Utilities, L.L.C., and Sharyland Utilities, L.P. commit that any costs relating to the cancellation of Sharyland Utilities, L.P.'s interests will not be recovered from customers.

72. The cancellation of Sharyland Utilities, L.P.'s interest in SDTS is reasonable.

**Approval to Create a Regulatory Asset**

73. The signatories agreed that Oncor can establish a regulatory asset to capture the amounts Oncor pays to the North Texas Utility under Sharyland Utilities, L.P.'s wholesale-distribution-substation-service tariff until rates are established to recover those costs.

74. It is reasonable for Oncor to establish a regulatory asset to capture the amounts Oncor pays to the North Texas Utility under Sharyland Utilities, L.P.'s wholesale-distribution-substation-service tariff until rates are established to recover these costs.

**Accounting for Make-Whole Payments**

75. The signatories agreed that, before Oncor’s next rate case, Oncor will record in its books, as it would in the normal course of business, any make-whole payments and other expenses that may be required to extinguish, transfer to Oncor, or restructure the debt of InfraREIT and its subsidiaries.

76. It is reasonable for Oncor to record in its books the payments and expenses identified in finding of fact 75.

**Operational Control Transition**

77. The joint applicants agreed to work with ERCOT to coordinate the transition of transmission assets and ensure that ERCOT’s models and databases are updated to reflect the proper owner and operator of the transitioned transmission assets. Because the proposed transactions may close before ERCOT can update its network operations model and other ERCOT databases in accordance with timing requirements under the ERCOT Protocols, the signatories agreed for ERCOT and the joint applicants to be granted a waiver of any timing requirements under the ERCOT Protocols related to updating ERCOT’s models, databases, or systems to reflect the proper asset owner and operator resulting from the proposed transactions. The ownership and transmission operator changeover of the transmission assets will be implemented by ERCOT and reflected in ERCOT’s systems no
later than June 30, 2019, provided that ERCOT receives notice three days before the changeover. The joint applicants agreed to give ERCOT written notice of the date and time of the ownership and transmission operator changeover at least three days prior to the changeover. If ERCOT does not receive written notice of the changeover on or before June 27, 2019, ERCOT will not implement the ownership and transmission operator changeover of the transmission assets until after September 14, 2019.

78. The operational control transition plan described in finding of fact 77 is reasonable.

**Commitments by Oncor, Sempra Energy, and Sharyland**

79. Oncor, Sharyland Utilities, L.P., Sharyland Utilities, L.L.C., and Sempra Energy agreed that the settlement of this proceeding will not preclude any party to this proceeding from taking a position in any future rate case for Oncor, North Texas Utility, or Sharyland Utilities, L.L.C. concerning the prudence of any or all of the costs of the assets that are the subject of the proposed transactions and that have not been previously reviewed for prudence.

80. Oncor and Sempra Energy commit that the North Texas Utility will be governed and managed within the existing ring-fencing structure that governs Oncor.

81. Sharyland Utilities, L.P. and Oncor commit to waive the requirement in the asset exchange agreement that an executed future development agreement be delivered at closing. Sharyland Utilities, L.P. and Oncor agreed to withdraw the future development agreement and commit that neither Sharyland Utilities, L.P., nor Sharyland Utilities, L.L.C., nor Oncor, nor any of their affiliates, will execute that agreement. In addition, Sharyland Utilities, L.P., SDTS, and Oncor affirm that none of the joint applicants has any current agreement, promise, or understanding to enter into a new future development agreement or any document of similar scope and applicability.

82. Oncor and Sharyland Utilities, L.P. commit to amend their respective existing codes of conduct to include the North Texas Utility, Sharyland Utilities, L.L.C., or any new affiliates resulting from the proposed transactions and to each separately file its amended code of conduct with the Commission for review and approval.
83. Oncor, the North Texas Utility, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. commit to provide customers with wholesale-transmission-service rate credits of 90% of the interest savings that each utility realizes as a result of the improved credit quality of the North Texas Utility and Sharyland Utilities, L.L.C., if any, and of debt issuance savings that each utility realizes, if any. Oncor and Sharyland Utilities, L.L.C. commit to each file in separate compliance dockets a calculation of any interest rate savings annually until their next rate cases.

84. Oncor, the North Texas Utility, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. commit to provide $17 million in merger-savings rate credits to customers through wholesale-transmission-service rates, to be paid as follows:

(a) In 2019, Oncor will provide a merger-savings rate credit of $5 million within 30 days after the Commission’s final order in this proceeding becomes final.

(b) In 2020, Oncor will provide a merger-savings rate credit of $5 million and Sharyland Utilities, L.L.C. will provide a rate credit of $2 million by July 1, 2020.

(c) In 2021, Oncor will provide a merger-savings rate credit of $5 million by July 1, 2021.

(d) A merger-savings rate-credit factor will be calculated by dividing the applicable merger-savings credit amount by the ERCOT four-coincident-peak (4CP) demand for the previous year. For example, the 2019 factor will be calculated using the 2018 ERCOT 4CP demand. The merger-savings rate credit factor will be applied to each distribution service provider’s 4CP demand for the previous year for a one month refund according to the schedule above.

(e) Oncor and Sharyland will each file a compliance tariff rider for each annual merger-savings rate-credit factor for administrative approval before the refund period.

85. Oncor commits that it and the North Texas Utility will hold harmless customers from any and all costs of de-REITing InfraREIT, Inc. and any and all liability for income taxes under the REIT structure before the consummation of the proposed transactions.
86. Oncor commits that it and the North Texas Utility will not seek recovery of the goodwill recorded as an asset on Oncor’s books as a result of the proposed transactions through Oncor’s rates and to exclude that goodwill amount from Oncor’s rate base.

87. Sharyland Utilities, L.P. currently has $1.1 million of goodwill associated with the acquisition of Cap Rock recorded in FERC Account 114. In the proposed transactions, Sharyland Utilities, L.P. is receiving $1.969 million (net book value as of June 30, 2018) of plant acquisition adjustments from SDTS to be recorded in FERC Account 114 on Sharyland Utilities, L.P.’s books. Sharyland Utilities, L.P. commits that neither Sharyland Utilities, L.L.C. nor itself will seek to recover this goodwill or these plant acquisition adjustments. Sharyland Utilities, L.P. commits that Sharyland Utilities, L.L.C. will exclude both the goodwill and the plant acquisition adjustments from the common equity in Sharyland Utilities, L.L.C.’s earnings-monitoring-report filings and in all future rate-case filings.

88. Oncor commits that it and the North Texas Utility will not seek recovery of the termination fee paid by InfraREIT Partners to Hunt Utility Services, LLC to terminate the management agreement between InfraREIT, InfraREIT Partners, and Hunt Utility Services.

89. Oncor, the North Texas Utility, Sharyland Utilities, L.L.C., and Sempra Energy commit not to seek recovery in rates of any expenses related to the proposed transactions.

90. Oncor and Sharyland Utilities, L.P. commit that Oncor, the North Texas Utility, and Sharyland Utilities, L.L.C. will not seek recovery of the approximately $30,000,000 regulatory asset associated with the startup costs incurred at the inception of Sharyland Utilities, L.P. and deferred in Docket No. 41474. 24

91. Oncor commits that it and the North Texas Utility will not seek recovery of any amount of the approximately $8.9 million regulatory asset related to Sharyland Utilities, L.P.’s rate-case expenses that were requested or incurred in Docket No. 45979. 25


L.P. commits that Sharyland Utilities, L.L.C. will not seek recovery of any rate-case expenses that were requested or incurred in Docket No. 45979.

92. Oncor and Sharyland Utilities, L.P. commit that neither the North Texas Utility nor Sharyland Utilities, L.L.C. will amortize or reduce the regulatory liabilities for excess accumulated deferred income taxes recorded as the result of the Tax Cuts and Jobs Act of 2017 until the amortization is reflected in rates, and they agreed that the disposition of these amounts will be addressed in the next base-rate case proceedings for Oncor and Sharyland Utilities, L.L.C. Additionally, the signatories agreed for all issues related to net operating loss accumulated deferred income tax to be reserved for disposition in future base-rate proceedings.

93. Subject to Oncor’s receipt of appropriate CCNs, where required, Oncor commits that all greenfield investments and other investments in transmission projects associated with transmission assets previously owned by Sharyland Utilities, L.P. and SDTS (including the pending LP&L projects) that are not required to be made at SDTS by debt covenants or that are capital replacements of a break-or-fix nature will be made at Oncor and owned by Oncor. This expressly includes the LP&L integration projects pending at the Commission.

94. Other than with respect to the transmission-cost-of-service refund identified in item 6 of schedule F of the Sharyland and SDTS asset schedules attached to the asset exchange agreement, Oncor and Sharyland Utilities, L.P. commit that the entity that owns the assets after consummation of the proposed transactions is the entity that is responsible for filing a reconciliation of rates for those assets under 16 TAC § 25.192(h)(2). Similarly, Oncor and Sharyland Utilities, L.P. commit that if the Commission finds that any amount previously included in interim transmission-cost-of-service updates is unreasonable or unnecessary, the entity that owns the associated assets after consummation of the proposed transactions will be responsible for refunding any such amounts in the manner prescribed by the Commission.

95. The commitments described above are reasonable and necessary to find that the proposed transactions are in the public interest.
96. The signatories agreed for a ring fence to be implemented at Sharyland Utilities, L.L.C. (the Sharyland Utilities, L.L.C. ring fence) with the provisions set forth below.

97. Sharyland Holdings, L.P. (Sharyland Holdings), Sharyland Utilities, L.P. and Sharyland Utilities, L.L.C. agreed that the actions listed below as (a) through (cc) require the consent of Sempra Energy on the terms specified in the Sharyland Holdings limited partnership agreement (the LP agreement) and, where expressly indicated, prior Commission approval. Sempra Energy will retain these consent rights for as long as Sempra Energy retains an indirect ownership interest in Sharyland Utilities, L.L.C., unless the Commission otherwise orders. These consent rights will also be incorporated into the LP agreement and made alterable only with Commission approval.

a. Approval of Sharyland Utilities, L.L.C.’s annual plan.

b. Acquiring or submitting to ERCOT any transmission and distribution project that involves the establishment of a new station, has an acquisition price of more than $3 million, or requires the incurrence or commitment to incur capital expenditures of more than $3 million per fiscal year to develop a new transmission and distribution project.

c. Any change in the location of Sharyland Utilities, L.L.C.’s principal place of business.

d. Any amendment to the organizational documents, including the LP agreement itself. Any amendment will also require prior approval of the Commission to the extent the amendment relates to any condition referenced in this Order.

e. The creation of any subsidiary of Sharyland Utilities, L.L.C., Sharyland Holdings, or SU Investment Partners, L.P. Prior approval of the Commission is also required to create any such subsidiary.

f. The issuance, transfer, sale, or disposal by Sharyland Holdings of, or the pledge or the grant of an option with respect to, any securities of Sharyland Holdings or other ownership interest in Sharyland Holdings (other than the issuance of units with respect to capital contributions as provided in section 2.5 of the LP agreement or the issuance
and forfeiture of units as provided in section 2.10 of the LP agreement). Such issuance, transfer, sale, or disposal will also require the Commission’s prior approval.

g. The redemption, purchase, or other acquisition by Sharyland Holdings of any partnership interests or other equity securities of Sharyland Holdings. Any such redemption, purchase, or other acquisition will also require the Commission’s prior approval.

h. The incurrence of debt at Sharyland Utilities, L.L.C. or Sharyland Holdings, except as provided for in Sharyland Utilities, L.L.C.’s annual plan.

i. Sharyland Holdings or Sharyland Utilities, L.L.C. guaranteeing any obligations other than for Sharyland Holdings or Sharyland Utilities, L.L.C. Any guaranteeing for any entity other than Sharyland Holdings or Sharyland Utilities, L.L.C. will also require the Commission’s prior approval.

j. The commencement of any material legal proceedings or the intentional waiver, payment, discharge, compromise, or settlement of any material pending or threatened legal proceeding.

k. The release of claims greater than $100,000.

l. Any material tax elections.

m. The initiation, settlement, or compromise of any material legal proceeding or audit relating to taxes.

n. Any change in audit firms.

o. Any sale, reorganization, merger, or consolidation of Sharyland Holdings or Sharyland Utilities, L.L.C. These actions will also require the Commission’s prior approval.

p. Any material change to accounting methods, principles, or practices.

q. Any material change in business lines. Such a change will also require the Commission’s prior approval.

r. The appointment of any executive officers.

s. Any material change in employees.
t. Any material changes in the compensation or employee benefits plans of executive officers.

u. Any material changes in the compensation or employee benefit plans of employees.

v. Any loan or extension of credit to any officer, manager, or employee.

w. Any divestiture, contribution, or acquisition of assets that constitute or would constitute more than 10% of the assets of Sharyland Utilities, L.L.C. These actions will also require the Commission’s prior approval unless such divestiture, contribution, or acquisition is in the normal course of business of operating, maintaining, or rebuilding existing assets or for the construction by Sharyland Utilities, L.L.C. of assets for which it has received a certificate of convenience and necessity. The 10% threshold will decrease to 5% if Sharyland Utilities, L.L.C. reaches $500 million in asset value.

x. Engaging in any projects outside of ERCOT. Such engagement will also require the Commission’s prior approval.

y. The approval of dividends except as provided in the annual plan or tax-sharing agreement.

z. Transactions between Hunt Consolidated, Inc. and any of its affiliates (collectively, Hunt) and Sharyland Utilities, L.L.C.

aa. Any dissolution or liquidation of Sharyland Utilities, L.L.C. Such actions will also require the Commission’s prior approval.

bb. Any bankruptcy petition.

c. Any regulatory acts as defined in the LP agreement.

98. Sharyland Holdings, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. agreed to include the following additional regulatory commitments, which require prior Commission approval to modify.

a. Sharyland Utilities, L.L.C. will not include cross-default provisions in its debt or credit documents other than for Sharyland Utilities, L.L.C. defaults. Under no circumstances will any debt of Sharyland Utilities, L.L.C. become due and payable or otherwise be
rendered in default because of any cross-default or similar provisions of any debt or other agreement of Sharyland Holdings or any affiliate of Sharyland Holdings.

b. Sharyland Utilities, L.L.C. and Sharyland Holdings will not include in their debt or credit documents any financial covenants, rating-agency triggers, or credit metrics related to any entity other than Sharyland Utilities, L.L.C.

c. Sharyland Utilities, L.L.C.’s debt will be limited to its regulatory debt-to-equity ratio.

d. Sharyland Utilities, L.L.C. will not incur any debt associated with Sempra Energy’s investment in Sharyland Holdings.

e. Sharyland Utilities, L.L.C. will not pledge assets with respect to, or guarantee, any debt or obligation of Hunt or Sempra Energy.

f. Sharyland Utilities, L.L.C. will not share credit facilities with Hunt or Sempra Energy.

g. Sharyland Utilities, L.L.C.’s headquarters will be in Texas.

h. Sharyland Utilities, L.L.C. will not seek to recover any costs associated with a bankruptcy of Hunt or Sempra Energy.

i. Sharyland Utilities, L.L.C. will not include goodwill in its regulatory books.

j. No pushdown accounting of transaction at Sharyland Utilities, L.L.C.

k. Sharyland Utilities, L.L.C. will not pay dividends or make any disbursement of cash or assets, except for contractual tax payments, if (i) those dividends or other distributions would cause Sharyland Utilities, L.L.C. to be out of compliance with its Commission-approved debt-to-equity ratio, or (ii) the Commission has initiated a proceeding seeking to modify Sharyland Utilities, L.L.C.’s ring fence and the Commission, after notice and a hearing, enters an order restricting the payment of dividends or disbursements during the pendency of that proceeding.

l. Sharyland Utilities, L.L.C. and Sharyland Holdings will not own, operate, or construct capital assets outside of ERCOT without the Commission’s prior approval and will not take any action that would subject ERCOT to the jurisdiction of the Federal Energy Regulatory Commission (FERC) or otherwise impair the Commission’s regulatory jurisdiction.
m. Sharyland Utilities, L.L.C.'s assets or stock will not be pledged for any entity other than Sharyland Utilities, L.L.C. by Sharyland Utilities, L.L.C., Sharyland Holdings, Hunt, Sempra Energy, any Sempra Energy affiliate, or any entity with a direct or indirect ownership interest in Sharyland Utilities, L.L.C. or Sharyland Holdings.

n. Neither Hunt, nor Sempra Energy, nor their respective affiliates will take any action that would subject assets in the ERCOT region to the jurisdiction of the FERC or otherwise impair the Commission’s regulatory jurisdiction, provided, however, FERC continues to have jurisdiction under sections 210, 211, and 212 of the Federal Power Act and may direct transmission and interconnection services over certain existing facilities outside of ERCOT; provided further that the existing reliability and critical infrastructure standards administered by the North American Electric Reliability Corporation (NERC), through delegation of authority from FERC, may affect the operations of assets that are deemed part of the bulk electric system.

o. Sharyland Utilities, L.L.C., Sharyland Holdings, Sempra Energy, and Hunt will not seek to have a NERC regional entity other than the Texas Reliability Entity serve as the lead regional entity responsible for monitoring Sharyland Utilities, L.L.C.’s activities and ensuring compliance with NERC reliability standards.

p. Sharyland Utilities, L.L.C. will conduct business with its affiliates as if the parties to the transaction were at arm’s length. No transaction with an affiliate will occur without a legitimate business purpose.

q. Hunt and Sempra Energy will provide the Commission access to the books and records of themselves and their affiliates as necessary to facilitate a Commission audit or review of any affiliate transactions as between Sharyland Utilities, L.L.C., on the one hand, and Sempra Energy, Hunt, or their affiliates, on the other, consistent with PURA.

r. Sharyland Utilities, L.L.C. will maintain accurate, appropriate, and detailed books, financial records, and accounts (including checking and other bank accounts) and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.
s. Neither Sharyland Utilities, L.L.C. nor any affiliate will assert before the Commission, FERC, or any court of competent jurisdiction that the Commission is preempted under the Federal Power Act (e.g., under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to Sharyland Utilities, L.L.C.

t. Before closing, Sharyland Utilities, L.P. will provide a non-consolidation legal opinion that provides that in the event of a bankruptcy of Hunt or Sempra Energy or any affiliates of Sempra Energy, a bankruptcy court will not consolidate the assets and liabilities of Sharyland Utilities, L.L.C. with Hunt or Sempra Energy or any affiliates of Sempra Energy.

u. Sharyland Utilities, L.P. filed a conforming LP agreement for Sharyland Holdings. The LP agreement contains provisions in accordance with the revised settlement agreement.

v. Sempra Texas Utilities Holdings I, LLC; SU Investment Partners, L.P.; and Shary Holdings, L.L.C. will adhere to all provisions in the LP agreement and in this Order.

w. Sharyland Utilities, L.L.C.'s formation limited liability company (LLC) agreement contains provisions identical to the LP agreement's ring-fencing provisions and will not contain provisions that are contrary to the provisions of this Order or the LP agreement. The LLC agreement requires that officers of Sharyland Utilities, L.L.C. have the same fiduciary duties to Sharyland Utilities, L.L.C. as directors of a business corporation organized under Delaware law. Sharyland Utilities, L.L.C. will not amend its organizational documents to waive those duties. Sharyland Utilities, L.P. filed a conforming LLC agreement for Sharyland Utilities, L.L.C. in this docket on May 6, 2019. Any amendment to the LLC agreement will also require the Commission's prior approval to the extent the amendment relates to any condition referenced in this Order.

x. Sharyland Utilities, L.L.C. will file annual reports for a period of five years after closing regarding compliance with the terms stated in this Order.
y. Sharyland Utilities, L.L.C. will maintain a separate logo and name distinct from all affiliates but will conduct its day-to-day operations through an affiliated shared-services company.

99. Sharyland Utilities, L.P., Sharyland Utilities, L.L.C., Hunt, and Sempra Energy acknowledge the Commission’s jurisdiction to initiate a future proceeding to modify the Sharyland Utilities, L.L.C. ring fence, but they reserve their rights to contest any other aspect of the filing. No party to this proceeding has waived any argument regarding whether the Sharyland Utilities, L.L.C. ring fence should be modified or the scope of any modification, and all parties reserve their rights to argue their positions in the docket, if such docket is initiated.

100. Oncor agreed to accept the obligations and benefits of Sharyland Utilities, L.P. as stated in the participation agreement entered into as of August 21, 2018 between Sharyland Utilities, L.P. and the City of Lubbock acting by and through its city council and its electric utility board.

101. Commission Staff reviewed the LP agreement and LLC agreement and confirmed those agreements conform to the commitments made in the revised settlement agreement and this Order.

102. The ring-fencing provisions included in this Order are reasonable and in the public interest.

**Tangible and Quantifiable Benefits to Texas Customers**

103. In determining whether the proposed transactions and the related GS-CV transactions are in the public interest under PURA §§ 14.101, 39.262, and 39.915, the Commission has evaluated whether those transactions would provide tangible and quantifiable benefits to ratepayers that are specific to the transactions at issue.

104. Based on findings of fact 83, 84, 88, and 91 set forth in this Order, the proposed transactions and the related GS-CV transactions will result in tangible and quantifiable benefits to Texas customers on a timely basis.

**Evaluation of the Transaction**

105. The proposed transactions and the related GS-CV transactions eliminate the REIT structure currently employed by Sharyland Utilities, L.P. and SDTS.
106. The proposed transactions and the related GS-CV transactions result in no Oncor property or other assets being sold, transferred, or otherwise affected.

107. Based on the record evidence and the regulatory commitments set forth in this Order, the proposed transactions and the related GS-CV transactions do not adversely affect the health or safety of the joint applicants’ customers or employees.

108. Based on the record evidence and regulatory commitments set forth in this Order, the proposed transactions and the related GS-CV transactions do not result in the transfer of jobs of citizens of this state to workers domiciled outside of this state.

109. Based on the record evidence and regulatory commitments set forth in this Order, the proposed transactions and the related GS-CV transactions do not result in a decline in service to the joint applicants’ customers.

110. Based on the record evidence and regulatory commitments set forth in this Order, the proposed transactions and the related GS-CV transactions do not adversely affect Oncor’s, Sharyland Utilities, L.P.’s, or Sharyland Utilities, L.L.C.’s reliability of service, availability of service, or cost of service.

111. Based on the record evidence and regulatory commitments relating to transaction costs set forth in this Order, the proposed transactions and the related GS-CV transactions do not result in Texas ratepayers bearing transaction-related costs unrelated to the corresponding benefits to Texas ratepayers.

112. With the commitments by the joint applicants described in this Order, the proposed transactions and the related GS-CV transactions are in the public interest in accordance with PURA §§ 14.101, 39.262(l)-(m), and 39.915.

III. Conclusions of Law

1. Oncor is an electric utility as defined by PURA § 31.002(6).

2. Oncor is a transmission and distribution utility as defined by PURA § 31.002(19).

3. Sharyland Utilities, L.P. is an electric utility as defined by PURA § 31.002(6).

4. Sharyland Utilities, L.P. is a transmission and distribution utility as defined by PURA § 31.002(19).
5. SDTS is an electric utility as defined by PURA § 31.002(6).
6. The Commission has jurisdiction over the parties and the subject matter of this docket under PURA §§ 14.101, 32.001, 35.004, 35.007, 37.154, 39.262(l) through (o), and 39.915.
7. Notice of the transactions at issue in this proceeding and of the events in this docket was provided in accordance with 16 TAC § 22.55.
8. The Commission’s consideration of the revised settlement agreement complies with PURA § 14.054 and 16 TAC § 22.206.
9. The Commission may enforce any representation or commitment made by the joint applicants under PURA §§ 39.262(o) and 39.915(d).
10. To the extent that the joint applicants fail to comply with a Commission Order, the Commission may take necessary actions to remedy the noncompliance, including seeking a court order requiring compliance with this Order under PURA § 15.021, filing a court action for contempt for failure to comply with this Order under PURA § 15.022, or imposing administrative penalties under PURA § 15.023.
11. The proposed transactions and the related GS-CV transactions, along with the provisions of the revised settlement agreement dated April 9, 2019, are in the public interest under PURA §§ 14.101, 39.262(l) through (m), and 39.915, as long as all commitments described in this Order are met.
12. The transfer of CCN rights as approved in this Order necessitated by the consummation of the proposed transactions meets the requirements of PURA § 37.154.
13. Allowing Sharyland Utilities, L.L.C. to complete a test year after the closing of the transactions constitutes good cause to grant Sharyland Utilities, L.P. (and its successor Sharyland Utilities, L.L.C.) an exception to the requirement that it file a rate case by July 1, 2020. 16 TAC § 25.247.
14. The Commission may authorize Oncor to provide operations and maintenance services to the North Texas Utility and operations services to Sharyland Utilities, L.L.C. without a tariff and without making those services available to third parties. 16 TAC § 25.272(e)(1)(A).
IV. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves the transactions described in Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C., Sharyland Utilities, L.P., and Sempra Energy’s joint report and application, as modified by the revised settlement agreement and this Order, including the proposed transactions and the related GS-CV transactions.

2. All parties to this docket must comply with all commitments described in this Order.

3. Oncor and Sharyland Utilities, L.P. must each amend their existing codes of conduct to include the North Texas Utility, Sharyland Utilities, L.L.C., or any new affiliates resulting from the proposed transactions. Oncor and Sharyland Utilities, L.P. must each separately file its amended code of conduct with the Commission for review and approval in Docket No. 49521, Compliance Filing of Oncor Electric Delivery Company LLC and Sharyland Utilities, L.L.C. for Review of Amended Codes of Conduct Resulting From Docket No. 48929.

4. The joint applicants must coordinate with ERCOT on the transition of transmission assets and ensure that ERCOT’s models and databases are updated to reflect the proper owner and operator of those transmission assets. Because the transactions may close before ERCOT can update its network operations model and other ERCOT databases in accordance with timing requirements under the ERCOT Protocols, the Commission grants ERCOT and the joint applicants a waiver of any timing requirements under the ERCOT Protocols related to updating ERCOT’s models, databases, or systems to reflect the proper asset owner and operator resulting from the transactions. The ownership and transmission operator changeover of the transmission assets will be implemented by ERCOT and reflected in ERCOT’s systems no later than June 30, 2019, provided that ERCOT receives notice three days before the changeover. The joint applicants must give ERCOT written notice of the date and time of the ownership and transmission operator changeover at least three days before the changeover. If ERCOT does not receive such notice on or before
June 27, 2019, ERCOT will not implement the ownership and transmission operator changeover of the transmission assets until after September 14, 2019.

5. The Commission transfers all CCN rights associated with assets that will be owned by Sharyland Utilities, L.L.C. after the closing of the proposed transactions to CCN 30192, and CCN 30192 will remain with Sharyland Utilities, L.L.C. after the closing of the proposed transactions.

6. The Commission transfers all CCN rights associated with the west Texas assets to the three CCNs that originated with Cap Rock assets (CCNs 30026, 30114, and 30191) in Dawson, Borden, Andrews, Martin, Howard, Mitchell, Ector, Midland, Glascock, Upton, and Reagan counties. The North Texas Utility will hold these CCNs after the closing of the proposed transactions. Within six months after the closing of the proposed transactions, Oncor and the North Texas Utility must make a compliance filing with the Commission to consolidate the CCN rights that will be held by the North Texas Utility into a single CCN number. This compliance filing is not a condition of closing of the proposed transactions.

7. The Commission transfers to CCN 30198 all CCN rights associated with the remaining assets that are part of the proposed transactions. CCN 30198 will remain with the North Texas Utility after the proposed transactions close. Those assets are located in Oldham, Potter, Carson, Deaf Smith, Randall, Armstrong, Castro, Swisher, Briscoe, Hale, Floyd, Motley, Crosby, Dickens, Haskell, Throckmorton, Young, Taylor, Runnels, Coleman, Brown, Mills, McCullough, San Saba, and Lampasas counties.

8. Until its next rate case, Oncor must file a report regarding any interest-rate savings or debt issuance savings to the Commission annually and demonstrating a calculation of the credit for the relevant time period as described in finding of fact 83 in a compliance docket to be styled Interest-Rate Savings Compliance Filing of Oncor Electric Delivery Company LLC Resulting from Docket No. 48929, using a control number available at that time.

9. Until its next rate case, Sharyland Utilities, L.L.C. must file a report regarding any interest-rate savings or debt issuance savings to the Commission annually and demonstrating a calculation of the credit for the relevant time period as described in finding of fact 83 in a compliance docket to be styled Interest-Rate Savings Compliance Filing of
Sharyland Utilities, L.L.C. Resulting from Docket No. 48929, using a control number available at that time.

10. Oncor may establish a regulatory asset to capture the amounts that Oncor pays to the North Texas Utility under Sharyland Utilities, L.P.’s wholesale-distribution-substation-service tariff until rates are established to recover those costs.

11. Oncor, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. must provide $17 million in merger-savings rate credits to customers through wholesale-transmission-service rates, to be paid as follows:

   (a) In 2019, Oncor must provide a merger-savings rate credit of $5 million within 30 days after the Commission’s order in this proceeding becomes final.

   (b) In 2020, Oncor must provide a merger-savings rate credit of $5 million and Sharyland Utilities, L.L.C. must provide a rate credit of $2 million by July 1, 2020.

   (c) In 2021, Oncor must provide a merger-savings rate credit of $5 million by July 1, 2021.

   (d) A merger-savings-rate-credit factor must be calculated by dividing the applicable merger savings credit amount by the ERCOT 4CP demand for the previous year. For example, the 2019 factor must be calculated using the 2018 ERCOT 4CP demand. The merger-savings-rate-credit factor must be applied to each distribution-service provider’s 4CP demand for the previous year for a one-month refund according to the schedule above.

   (e) Oncor and Sharyland Utilities, L.L.C. must each file a compliance tariff rider for each annual merger-savings-rate-credit factor for administrative approval before the refund period. This compliance tariff rider must be filed in Docket No. 49520, Compliance Filing of Oncor Electric Delivery Company LLC and Sharyland Utilities, L.L.C. for Approval of Merger-Savings-Rate-Credit Factor Resulting from Docket No. 48929.

12. Oncor, the North Texas Utility, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. must provide customers with wholesale-transmission-service rate credits of 90% of the interest savings that each utility realizes as a result of the improved credit quality of the
North Texas Utility and Sharyland Utilities, L.L.C., if any, and of debt issuance savings that each utility realizes, if any.

13. Within ten days after the Commission’s order in this docket becomes final, Sharyland Utilities, L.L.C. must file, as a compliance filing in Docket No. 49519, *Compliance Filing of Oncor Electric Delivery Company LLC and Sharyland Utilities, L.L.C. for Revised Tariffs Resulting from Docket No. 48929*, the existing tariff and rate schedules for Sharyland Utilities, L.P., with the wholesale-transmission-service rate revised in accordance with finding of fact 49.

14. Within ten days after the Commission’s order in this docket becomes final, Oncor must file, on behalf of the North Texas Utility, a compliance tariff in accordance with Oncor’s existing tariff for Oncor and including (a) the WTS rate revised consistent with finding of fact 49, and (b) the wholesale-distribution-substation-service rate and rider transition costs as those rates currently appear in Sharyland Utilities, L.P.’s existing tariff. Oncor must file the compliance tariff in Docket No. 49519, *Compliance Filing of Oncor Electric Delivery Company LLC and Sharyland Utilities, L.L.C. for Revised Tariffs Resulting from Docket No. 48929*.

15. Sharyland Utilities, L.L.C. must file annual reports for a period of five years after closing regarding compliance with the terms stated in this Order in Docket No. 49518, *Sharyland Utilities, L.L.C.’s Annual Reports Regarding Compliance with Final Order in Docket No. 48929*.

16. Oncor must make a combined rate filing no later than October 2021 that includes a proposal to consolidate the North Texas Utility with Oncor for ratemaking purposes, subject to Commission approval.

17. Oncor must consolidate the North Texas Utility with Oncor for purposes of calculation and reporting of its earnings-monitoring report and for purposes of compliance with finding of fact 56 of the final order in Docket No. 47675.

18. The cash equity contributions invested by Oncor’s owners used to directly finance the transactions contemplated by the asset exchange agreement dated October 18, 2018 must be included in the calculations reported in Oncor’s earnings-monitoring report solely for
purposes of determining compliance with Oncor’s debt-to-equity ratio requirement as set by finding of fact 56 in the final order in Docket No. 47675.

19. Oncor must provide operations and maintenance services to the North Texas Utility until otherwise ordered by the Commission.

20. Oncor must provide operations services to Sharyland Utilities, L.L.C. under the conditions described in this Order as long as Oncor and Sharyland Utilities, L.L.C. are affiliates or until otherwise ordered by the Commission.

21. The North Texas Utility must be governed and managed within the existing ring-fencing structure that governs Oncor.


23. Oncor must accept the obligations and benefits of Sharyland Utilities, L.P. as stated in the participation agreement entered into as of August 21, 2018 between Sharyland Utilities, L.P. and the City of Lubbock acting by and through its city council and its electric utility board.

24. Oncor and the North Texas Utility must hold harmless its customers from any and all costs of de-REITing InfraREIT, Inc. and any and all liability for income taxes under the REIT structure before the consummation of the proposed transactions.

25. Oncor and the North Texas Utility must not seek recovery of the goodwill recorded as an asset on Oncor’s books as a result of the proposed transactions through Oncor’s rates and must exclude that goodwill amount from Oncor’s rate base.

26. Sharyland Utilities, L.L.C. must not seek to recover either the goodwill or plant acquisition adjustments described in finding of fact 87. Sharyland Utilities, L.L.C. must exclude both the goodwill and the plant acquisition adjustments from the common equity in Sharyland Utilities, L.L.C.’s earnings-monitoring-report filings and in all future rate-case filings.
27. Oncor and the North Texas Utility must not seek recovery of the termination fee paid by InfraREIT Partners to Hunt Utility Services, LLC to terminate the management agreement between InfraREIT, InfraREIT Partners, and Hunt Utility Services.

28. Oncor, the North Texas Utility, Sharyland Utilities, L.L.C., and Sempra Energy must not seek recovery in rates of any expenses related to the proposed transactions.

29. Oncor, the North Texas Utility, and Sharyland Utilities, L.L.C. must not seek recovery of the approximately $30,000,000 regulatory asset associated with the startup costs incurred at the inception of Sharyland Utilities, L.P. and deferred in Docket No. 41474.

30. Oncor and the North Texas Utility must not seek recovery of any amount of the approximately $8.9 million regulatory asset related to Sharyland Utilities, L.P.’s rate-case expenses that were requested or incurred in Docket No. 45979.

31. Sharyland Utilities, L.L.C. must not seek recovery of any rate-case expenses that were requested or incurred in Docket No. 45979.

32. Oncor, the North Texas Utility, and Sharyland Utilities, L.L.C. must not amortize or reduce the regulatory liabilities for excess accumulated deferred income taxes recorded as a result of the Tax Cuts and Jobs Act of 2017 until the amortization is reflected in rates.

33. Oncor, Sharyland Utilities, L.L.C., and Sharyland Utilities, L.P. must not seek recovery of any costs relating to the cancellation of Sharyland Utilities, L.P.’s interest in SDTS, including all of Sharyland Utilities, L.P.’s equity interests (as defined in the asset exchange agreement) and related economic and management interests in SDTS.

34. Sharyland Utilities, L.L.C. must file a base-rate case no later than December 31, 2020, based on a historical 12-month test year beginning on July 1, 2019 if the proposed transactions close on or before June 30, 2019. If the proposed transactions close after June 30, 2019, the test year must begin on the first day of the month following the closing of the proposed transactions.

35. The entry of this Order does not indicate the Commission’s endorsement of any principle or methodology that may underlie the revised settlement agreement. Entry of this Order must not be regarded as precedent as to the appropriateness of any principle or methodology underlying the revised settlement agreement.
36. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 9th day of May 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER