



Control Number: 47469



Item Number: 2

Addendum StartPage: 0

DOCKET NO. 47469

RECEIVED

2017 AUG -4 PM 2: 50

JOINT REPORT AND APPLICATION §
OF SHARYLAND UTILITIES, L.P., §
SHARYLAND DISTRIBUTION & §
TRANSMISSION SERVICES, L.L.C., §
AND ONCOR ELECTRIC DELIVERY §
COMPANY LLC FOR TRANSFER OF §
FACILITIES, TRANSFER OF RIGHTS §
UNDER AND AMENDMENT OF §
CERTIFICATES OF CONVENIENCE §
AND NECESSITY, AND FOR OTHER §
REGULATORY APPROVALS §

BEFORE THE PUBLIC UTILITY COMMISSION
FILING CLERK

PUBLIC UTILITY COMMISSION

OF TEXAS

**JOINT REPORT AND APPLICATION OF SHARYLAND UTILITIES, L.P.,
SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., AND ONCOR
ELECTRIC DELIVERY COMPANY LLC FOR TRANSFER OF FACILITIES,
TRANSFER OF RIGHTS UNDER AND AMENDMENT OF CERTIFICATES OF
CONVENIENCE AND NECESSITY, AND FOR OTHER REGULATORY APPROVALS**

TABLE OF CONTENTS

August 4, 2017

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
Table of Contents	1
Joint Report & Application	3
Exhibit A – Stipulation and Settlement Agreement.....	24
Exhibit B – Application for Sale, Transfer, or Merger	66
Exhibit C – Proposed Direct and Newspaper Notice	85
Exhibit D – Proposed Protective Order	88
Exhibit E – Agreement and Plan of Merger	108
Direct Testimony	329

David A. Campbell	329
Ralph G. Goodlet, Jr.	346
D. Greg Wilks	391
Mark D. Meyer.....	414
James W. Daniel	452
James A. Greer	479
W. Mark Carpenter	500
Stephen N. Ragland.....	517
R. Keith Pruett.....	528
Salvatore P. Montalbano	545

DOCKET NO. 47469

JOINT REPORT AND APPLICATION	§	
OF SHARYLAND UTILITIES, L.P.,	§	BEFORE THE
SHARYLAND DISTRIBUTION &	§	
TRANSMISSION SERVICES, L.L.C.,	§	PUBLIC UTILITY COMMISSION
AND ONCOR ELECTRIC DELIVERY	§	
COMPANY LLC FOR TRANSFER OF	§	OF TEXAS
FACILITIES, TRANSFER OF RIGHTS	§	
UNDER AND AMENDMENT OF	§	
CERTIFICATES OF CONVENIENCE	§	
AND NECESSITY, AND FOR OTHER	§	
REGULATORY APPROVALS	§	

**JOINT REPORT AND APPLICATION OF SHARYLAND UTILITIES, L.P.,
SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., AND ONCOR
ELECTRIC DELIVERY COMPANY LLC FOR TRANSFER OF FACILITIES,
TRANSFER OF RIGHTS UNDER AND AMENDMENT OF CERTIFICATES OF
CONVENIENCE AND NECESSITY, AND FOR OTHER REGULATORY APPROVALS**

Sharyland Utilities, L.P. (“Sharyland”), Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”), and Oncor Electric Delivery Company LLC (“Oncor”) (collectively, “Joint Applicants”) file this Joint Report and Application (“Joint Application”) pursuant to Sections 14.101 and 37.154, and to the extent applicable, Sections 39.262(l)–(m) and 39.915, of the Public Utility Regulatory Act (“PURA”).¹ Joint Applicants respectfully request a Public Utility Commission of Texas (“Commission”) determination that: (a) the proposed transfer of assets between the Joint Applicants is in the public interest pursuant to PURA § 14.101, and to the extent applicable, PURA §§ 39.262(l)–(m) and 39.915; (b) Sharyland’s certificate of convenience and necessity (“CCN”) rights associated with the assets transferred and the corresponding retail service territories should be transferred to Oncor pursuant to PURA § 37.154; (c) Sharyland’s CCNs should be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor; and (d) the additional regulatory conditions and commitments proposed herein and agreed to by the signatories to the Stipulation

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001–66.016 (West 2016 & Supp. 2017) (“PURA”).

and Settlement Agreement (“Stipulation”), which is discussed below, are reasonable and should be approved.

Joint Applicants have entered into an Agreement and Plan of Merger (“Merger Agreement”), pursuant to which, SDTS and Oncor will exchange certain assets with each other, and Oncor will purchase certain associated property from Sharyland, resulting in all of Sharyland’s existing retail electric delivery customers becoming Oncor’s retail electric delivery customers and Sharyland serving only as a transmission service provider (“TSP”) (the “Proposed Transaction”). After a short customer transition period following closing of the Proposed Transaction, Sharyland will no longer provide retail electric delivery service. The Proposed Transaction will result in significant rate relief for Sharyland’s current retail electric delivery customers in the Stanton, Brady, and Celeste divisions (“SBC divisions”) and will avoid a significant rate increase for retail electric delivery customers in the McAllen division. Specifically, approval of the Proposed Transaction will resolve the rate disparity that currently exists between Sharyland’s high retail electric delivery rates and those of Oncor and the other transmission and distribution utilities (“TDUs”) in the Electric Reliability Council of Texas (“ERCOT”) power region.

The Proposed Transaction also includes several regulatory conditions to closing and commitments that are discussed further below. Such conditions include the Commission’s granting of both the joint unanimous motion for dismissal in Sharyland and SDTS’s pending rate case (Docket No. 45414)² and approval of the Stipulation proposed in Oncor’s pending rate case (Docket No. 46957).³ Other regulatory conditions primarily ensure that Joint Applicants do not experience significant economic harm from agreeing to the Proposed Transaction.

As indicated, Joint Applicants have executed a Stipulation with Commission Staff (“Staff”); Office of Public Utility Counsel (“OPUC”); Steering Committee of Cities Served by Oncor; Cities of Midland, Colorado City, McAllen, and Farmersville; Alliance of Oncor Cities; City of Mission; Reliant Energy Retail Services, Green Mountain Energy

² *Review of the Rates of Sharyland Utilities, L.P., Establishment of Rates for Sharyland Distribution & Transmission Services, L.L.C., and Request for Grant of a Certificate of Convenience and Necessity and Transfer of Certificate Rights*, Docket No. 45414 (pending).

³ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 46957 (pending).

Company, and US Retailers, LLC; TXU Energy Retail Company LLC; Alliance for Retail Markets; Texas Energy Association for Marketers; St. Lawrence Cotton Growers' Association; and Texas Cotton Ginners' Association (collectively the "Signatories"). The Stipulation resolves among the Signatories the issues in this proceeding and supports approval of this Joint Application and Proposed Transaction consistent with the regulatory conditions and commitments proposed herein. The following parties have agreed that they are unopposed to the Stipulation: Texas Industrial Energy Consumers, Targa Pipeline Mid-Continent WestTex, LLC, and Golden Spread Electric Cooperative. The Stipulation is attached to this Joint Application as Exhibit A.

I. DESCRIPTION OF JOINT APPLICANTS

a. Sharyland

Sharyland is a TDU serving approximately 54,000 metered and unmetered accounts in a service territory that includes 29 counties and four noncontiguous, geographically-diverse divisions (*i.e.*, the McAllen and the SBC divisions).

Sharyland was formed in 1998 and certificated in 1999 to provide retail electric service to a planned community near McAllen and Mission, Texas (now the McAllen division). In 2010, Sharyland and SDTS acquired control of Cap Rock Energy Corporation ("Cap Rock"), which operated four separate divisions, two of which were interconnected primarily to the Southwest Power Pool ("SPP") and two of which were interconnected to ERCOT. In 2011, the Commission approved a plan by which Sharyland moved the two SPP divisions to ERCOT.⁴ The following year, the Commission approved Sharyland's plan to implement retail competition in all of the former Cap Rock divisions, which are the present SBC divisions.⁵

Sharyland also provides wholesale transmission service. The transmission facilities it operates consist of 69, 138, and 345 kilovolt ("kV") transmission lines (and related infrastructure) connected to the ERCOT grid; a 300 megawatt high voltage direct

⁴ *Application of Sharyland Utilities, LP to Approve Study and Plan Pursuant to the Commission's Order in Docket No. 37990 Concerning the Movement of Sharyland's Stanton and Colorado City Divisions from the Southwest Power Pool to ERCOT*, Docket No. 39070, Order at 21, Ordering Paragraph No. 1 (Jul. 8, 2011).

⁵ *Application of Sharyland Utilities, L.P. to Approve Retail Plan Pursuant to the Commission's Order in Docket No. 37990 and for Other Relief*, Docket No. 39592, Order at 17, Ordering Paragraph No. 1 (Aug. 22, 2012).

current interconnection between ERCOT and the Mexican electric grid; and a transmission operations center and backup control center in Amarillo, Texas. The 345 kV transmission lines include approximately 300 miles of Competitive Renewable Energy Zones lines in the Panhandle and South Plains regions of Texas.

b. SDTS

The owners of Sharyland formed SDTS to facilitate broader financing options for new transmission and distribution assets. In Docket No. 35287, the Commission approved a restructuring of Sharyland, in which Sharyland transferred its ownership interests in its transmission and distribution assets to SDTS, and SDTS leases those assets to Sharyland to operate and provide service to wholesale and retail customers.⁶

c. Oncor

Oncor is the largest TDU in Texas. Oncor transmits and distributes electricity to approximately 3.4 million points of delivery representing approximately ten million people. Oncor serves over 400 cities and over 90 counties throughout large portions of West, North, Central, and East Texas within the ERCOT control area. Oncor has over 3,500 employees.

To provide electric delivery services, Oncor owns, operates, and maintains one of the largest integrated electric systems in the United States and the largest in Texas. Oncor's facilities include approximately 122,500 circuit miles of transmission and distribution lines within ERCOT. Oncor also provides limited open access wholesale transmission and interconnection service under tariffs on file with the Federal Energy Regulatory Commission.

Oncor has an experienced senior leadership team with a combined total of over 200 years of utility industry experience and a demonstrated commitment to providing safe and reliable service to customers at a reasonable cost. Relying on both traditional and new technology-driven infrastructure to improve performance, Oncor consistently maintains top performance in employee safety and system reliability.

⁶ *Application of Sharyland Utilities, L.P. and Sharyland Distribution & Transmission Services, L.P. for Regulatory Approvals Pursuant to PURA §§ 14.101, 39.262, and 39.915, Docket No. 35287, Order (Jul. 21, 2008).*

II. DESCRIPTION OF THE PROPOSED TRANSACTION

a. Asset Exchange

The Proposed Transaction is an exchange of assets between the Joint Applicants, resulting in all of Sharyland's existing retail electric delivery customers becoming Oncor's retail electric delivery customers and Sharyland no longer operating as a distribution service provider ("DSP"). Under the Merger Agreement, which is attached as Exhibit E, Sharyland/SDTS will transfer to Oncor all property and other assets used by Sharyland to provide retail electric delivery service (other than certain excluded assets that Oncor declines to acquire), and all obligations and liabilities to the extent they arise from or relate to the use or operation of such assets (other than certain excluded liabilities), in the Stanton and McAllen divisions. Sharyland will retain the existing utility assets necessary to provide wholesale transmission service (including lines and substations) in those two divisions. In addition, in the Brady and Celeste divisions, Sharyland/SDTS will transfer to Oncor all property and other assets used in Sharyland's electric transmission and distribution business (other than certain excluded assets) and all obligations and liabilities to the extent they arise from or relate to the use or operation of those assets (other than certain excluded liabilities).

The Proposed Transaction contemplates that Oncor will transfer to SDTS the following transmission assets, which qualify for inclusion in transmission rate base: (a) approximately the western-most 60 miles of the 345 kV transmission line from Clear Crossing to Willow Creek; (b) approximately the western-most 12 miles of the 345 kV transmission line from Bowman to Riley; (c) approximately the western-most 13 miles of the 345 kV transmission line from Riley to Krum West; (d) the 345 kV transmission line from Bluff Creek to Brown; and (e) approximately the western-most 85 miles of the 345 kV transmission line from Brown to Newton. If the net book value of certain of the assets to be transferred to Oncor exceeds \$390 million, the Brown Static VAR Compensator ("SVC") will be included in the assets and the mileage of the transmission lines to be transferred to SDTS will be reduced on a tower-by-tower basis accordingly.

The Proposed Transaction contemplates that Sharyland will transfer to Oncor all of Sharyland's rights under its CCNs to provide retail electric delivery service in the geographic areas currently certificated to Sharyland. It also contemplates an

amendment to Sharyland's CCNs to permit Sharyland to operate and maintain the transmission assets transferred from Oncor.

The Proposed Transaction has been structured so that Oncor, on the one hand, and Sharyland/SDTS, on the other hand, receive assets and other consideration of substantially equal value as a result of the asset swap.

b. Regulatory Conditions to Closing and Commitments

The Proposed Transaction includes several regulatory conditions and commitments that relate to the resolution of other related Commission proceedings or will help ensure that Joint Applicants will not experience significant economic harm from agreeing to the Proposed Transaction. As mentioned above, on July 21, 2017, Joint Applicants executed a Stipulation (Exhibit A) that resolves the issues in this proceeding and supports approval of this Joint Application consistent with these regulatory conditions and commitments. These regulatory conditions and commitments are listed and discussed briefly below and are addressed more thoroughly in the direct testimony submitted in support of the Joint Application.

The Commission's dismissal of Sharyland's and SDTS's pending rate case in Docket No. 45414 and approval of the settlement in Oncor's pending rate case in Docket No. 46957.

Concurrent with the filing of this Joint Application, Sharyland and SDTS are filing a joint unanimous motion to dismiss in Docket No. 45414 pursuant to a Unanimous Stipulation Regarding Dismissal of Docket No. 45414, which is supported by all parties to that docket. On August 2, 2017, Oncor filed a Stipulation that resolves the issues among the signatories thereto in Docket No. 46957. Regulatory conditions to closing the Proposed Transaction include (i) approval of or findings regarding the Commission's dismissal of Docket No. 45414 on terms that are identical in all material respects to the joint unanimous motion to dismiss and the Unanimous Stipulation Regarding Dismissal filed in Docket No. 45414; and (ii) approval of or findings regarding the Commission's final order approving the settlement of Oncor's base rate case in Docket No. 46957 on terms that are identical in all material respects to the terms of the Stipulation filed in Docket No. 46957. The proposed dismissal of Docket No. 45414, which would be contingent on closing of the Proposed Transaction, is addressed in more detail in the direct testimony of Sharyland/SDTS witness Ralph G. Goodlet, Jr. The proposed

settlement of Docket No. 46957, which would be contingent on closing of the Proposed Transaction, is addressed in the direct testimony of Oncor witness R. Keith Pruett.

The Commission's approval of a revision to Sharyland's wholesale transmission service ("WTS") rate to reflect the Proposed Transaction.

In this proceeding, Joint Applicants request the Commission's approval of a revision to Sharyland's WTS rate to reflect the addition to rate base of the transmission assets transferred from Oncor. After the Commission's approval and before closing of the Proposed Transaction, Sharyland will make a compliance tariff filing to reflect the WTS rate adjustment. The new WTS rate will go into effect upon closing of the Proposed Transaction. Because Oncor's WTS rate is correspondingly adjusted to reflect the removal of these transmission assets in the Docket No. 46957 Stipulation, there will be minimal impact on the overall ERCOT transmission cost of service ("TCOS"). Joint Applicants also request that the Commission make a specific finding that this WTS rate revision will not count against Sharyland's annual allowable interim TCOS updates under 16 Tex. Admin. Code ("TAC") § 25.192(h). This WTS rate revision is discussed further in the direct testimony of Sharyland/SDTS witness James W. Daniel.

The Commission's approval of the adjustments to the respective rate bases of Joint Applicants to reflect the impacts of the Proposed Transaction, including for impacts of the Proposed Transaction related to accumulated deferred federal income taxes ("ADFIT").

Joint Applicants also seek the Commission's approval of the specific adjustments to Joint Applicants' respective rate bases, including for ADFIT-related impacts. Upon closing of the Proposed Transaction, each of Oncor and SDTS will remove or eliminate the ADFIT attributable to the assets each is dispensing of and book a deferred tax liability (resulting in an effective reduction of their rate bases) under Accounting Standards Codification 740 (FAS 109) (or similar Generally Accepted Accounting Principles ("GAAP")) to account for the difference in initial GAAP and the federal tax bases of SDTS's and Oncor's newly acquired assets, respectively. Oncor and SDTS shall use commercially reasonable efforts to procure private letter ruling(s) from the Internal Revenue Service confirming that this treatment of ADFIT is consistent with, and does not violate, the normalization accounting rules of the Internal Revenue Code and the Treasury Regulations (the "Private Letter Ruling").

If a favorable Private Letter Ruling is not obtained, then the latter above-described deferred tax liability adjustments for the newly-acquired assets shall be reversed, and Joint Applicants will be authorized to capture the difference and record on their respective books a recoverable regulatory asset in the dollar amount that has been under-recovered as a result of the treatment of ADFIT. For Sharyland, the recoverable regulatory asset will be recorded for the period beginning on the date Sharyland's WTS rates approved in this proceeding became effective and end on the date that new rates are adopted for Sharyland reflecting the reversal of such deferred tax liability. For Oncor, the recoverable regulatory asset will be recorded for the period beginning on the date that Oncor's existing rates became effective and ending on the date that new rates are adopted for Oncor reflecting the reversal of such deferred tax liability. Oncor's rates and Sharyland's rates will be adjusted accordingly in future rate proceedings. These ADFIT-related adjustments, Private Letter Ruling, and related regulatory assets are discussed further in the direct testimony of Joint Applicant witness Salvatore P. Montalbano.

The Commission's finding or findings that all capital investment in the assets transferred between Joint Applicants was prudently incurred and should be included in rate base.

Joint Applicants seek a finding that the capital investment in the assets transferred between them pursuant to the Proposed Transaction was prudently incurred. The transmission assets to be transferred from Oncor are proposed to be deemed prudent in the Docket No. 46957 Stipulation. The assets that SDTS will transfer to Oncor that were energized and in service as of December 31, 2012, were already deemed prudent in Sharyland's last rate case, Docket No. 41474.⁷ Thus, Joint Applicants propose that the assets being transferred from SDTS to Oncor that were energized and placed in service after 2012 be deemed prudent in this proceeding. The prudence of these assets is addressed in the direct testimony of Sharyland/SDTS witness Mark D. Meyer.

⁷ *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate*, Docket No. 41474, Order at 6 (Jan. 23, 2014).

The Commission's approval of Sharyland's recovery of certain actual transition costs associated with the Proposed Transaction in an amount not to exceed \$17 million.

Joint Applicants propose that Sharyland recover certain actual transition costs in an amount not to exceed \$17 million through a rider to Sharyland's WTS tariff over a two-year period. These are necessary costs associated with Sharyland transitioning from a TDU to a TSP. They include assets that Oncor will not acquire in the Proposed Transaction but that are no longer useful to a TSP; termination fees for contracts that Oncor will not acquire in the Proposed Transaction; advanced metering system ("AMS") regulatory assets and other AMS assets that Oncor will not acquire; retention and severance costs for non-executive employees who must remain employed by Sharyland until the Proposed Transaction closes or during a brief post-closing transition period but who will not be employed by Oncor thereafter closing; retention costs for non-executive employees whose employment at Sharyland is necessary to manage the transition and who will be employed by Oncor after closing or employed by Sharyland to operate as a TSP after closing; and lender consent fees. The transition costs are addressed in the direct testimony of Sharyland/SDTS witness D. Greg Wilks and the proposed recovery mechanism is discussed in Sharyland/SDTS witness Mr. Daniel's direct testimony.

Approval of Oncor's recovery of the interim rate regulatory asset related to Sharyland's residential interim rates approved in Docket No. 45414.

On July 26, 2017, Sharyland and SDTS filed an Unopposed Motion for Residential Interim Rates in Docket No. 45414, which was approved the next day.⁸ Consistent with 16 TAC § 22.125, the interim rates are applied to Sharyland's current residential retail electric delivery customers in the SBC divisions and reflect a Residential class retail electric delivery revenue requirement decrease of \$3 million on an annual basis for the SBC divisions. The residential interim rates will take effect on September 10, 2017 (45 days after entry of the order approving the residential interim rates).

Consistent with the order approving the residential interim rates, beginning on the date the interim rates take effect, Sharyland will record on its books as a regulatory asset the difference between the money collected under the residential interim rates

⁸ Docket No. 45414, SOAH Order No. 27 (Jul. 27, 2017).

and the amount of money that would have been collected under Sharyland's residential retail electric delivery rates approved by the Commission for the SBC divisions in Sharyland's last rate case.⁹ The Proposed Transaction contemplates that Oncor will purchase this regulatory asset upon closing in exchange for a cash payment equal to the amount of the regulatory asset. The Joint Applicants request the Commission's finding that Oncor, as the owner of this regulatory asset after closing, shall be permitted to recover the regulatory asset.

Approval for Oncor to incorporate Sharyland's Energy Efficiency Cost Recovery Factor ("EECRF") and Transmission Cost Recovery Factor ("TCRF") regulatory assets or liabilities into Oncor's EECRF and TCRF.

Joint Applicants seek the Commission's approval for Oncor to incorporate Sharyland's EECRF and TCRF regulatory assets or liabilities into Oncor's EECRF and TCRF, respectively. These matters are addressed in the direct testimony of Oncor witness R. Keith Pruett.

The Commission's finding or findings relieving Sharyland from all Commission reporting obligations related to the operation of the assets transferred from SDTS with respect to reports that are due on or after the date the Proposed Transaction closes.

The Joint Applicants seek a finding or findings that relieve Sharyland from all reporting obligations related to the operation of the assets transferred from SDTS to Oncor with respect to reports that are due on or after the date that the Proposed Transaction closes, including, but not limited to, annual System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") reports. This condition is to confirm that Sharyland is no longer required to file reports at the Commission that are required of DSPs after the Proposed Transaction closes.

The Commission's finding or findings that reflect the following regarding Oncor's reporting and tabulating the legacy Sharyland/SDTS distribution system SAIDI and SAIFI.

Joint Applicants propose that for the first ten full years after closing of the Proposed Transaction, all Commission reliability and continuity of service reporting under 16 TAC §§ 25.52 and 25.81 will be reported separately for the current Oncor service territory and the legacy Sharyland service territory. For this ten-year period,

⁹ *Id.* at 2.

Joint Applicants propose that Oncor not be subject to enforcement action or penalty for the performance of the legacy Sharyland service territory. During this ten-year separate reporting period, Joint Applicants propose that Oncor and the Commission will together develop an appropriate process for integrated reporting for the two distribution systems going forward after the separate reporting period. These matters are addressed in the direct testimony of Oncor witness James A. Greer.

The Commission's approval of Oncor's AMS deployment in Sharyland's current service territories.

Joint Applicants request the Commission's approval of AMS deployment by Oncor in Sharyland's current service territories and an order that Oncor submit a compliance filing outlining a schedule for AMS deployment, by geographic division, within a reasonable time following approval of the Proposed Transaction. Oncor expects to complete AMS deployment (including meter provisioning and Lode Star Enhanced file submittals) in the legacy Sharyland service territories by December 31, 2018. AMS deployment is addressed in the direct testimony of Oncor witness W. Mark Carpenter.

c. Transition of Customers from Sharyland to Oncor

1. Transition Process

Pursuant to a transition services agreement, Joint Applicants will coordinate to transition all of Sharyland's existing retail electric delivery customers to Oncor. The transition of all such customers is expected to take one to two billing cycles to complete—or approximately 30 to 60 days after closing. Joint Applicants agree that Sharyland will continue to provide service to customers under its retail electric delivery tariff until the customer transitions are finalized and will retain the limited necessary CCN rights to provide these services during the transition period.

As addressed in the Stipulation, Joint Applicants will hold a series of workshops and market calls with Staff, OPUC, ERCOT, affected customers, and affected retail electric providers ("REPs") serving customers in Sharyland's service territories to plan and coordinate the customer transitions pursuant to applicable ERCOT and Commission requirements. Joint Applicants will work with these parties to develop reasonable timelines for the necessary processes.

The Stipulation provides that as part of the plans discussed above, Oncor will establish new electric service identifiers (“ESIDs”) for each existing ESID currently assigned to Sharyland. Each new Oncor ESID will be assigned to the corresponding Oncor rate class under the applicable tariff provision. Oncor shall provide reasonable notice to the customer’s REP of record as to the assigned rate class for each ESID. After a customer’s transition to Oncor under this process, the customer will be served by Oncor and charged Oncor’s standard retail electric delivery rates. Joint Applicants have agreed to provide the affected REPs with reasonable advance notice of the anticipated closing date of the Proposed Transaction, any meetings of the workshop participants, and the date that the ESID transitions will begin. The transition process is addressed in the direct testimony of Oncor witness Mr. Carpenter and Sharyland/SDTS witness Mr. Goodlet.

2. Additional Findings Regarding Transition of Customers

Additionally, Sharyland is requesting that the Commission make certain findings in this proceeding relating specifically to Sharyland and certain customer transition processes. First, Sharyland seeks a waiver of any requirements in the ERCOT Retail Market Guide that require Sharyland to maintain the ability to process cancel/rebills through a Customer Information System (“CIS”) or Electronic Data Interchange (“EDI”) market interfaces.¹⁰ Sharyland will, however, maintain financial responsibility for cancel/rebill amounts that are required to be paid for the period prior to the time that retail electric delivery customers are transitioned to Oncor. Sharyland will work with REPs, ERCOT, and retail electric delivery customers through the series of workshops discussed above to develop procedures to appropriately process such cancel/rebill amounts, as well as any associated resettlement of the ERCOT market. Second, Sharyland requests that the Commission exempt Sharyland from the Fall 2017 ERCOT flight test with the REPs, given that once the Proposed Transaction is approved, Sharyland will soon no longer provide any retail electric delivery service. Thus, participating in this testing would be a significant waste of resources.

¹⁰ ERCOT Retail Market Guide § 7.11.6(3)(h).

III. BUSINESS REPRESENTATIVES

For purposes of this proceeding, the names and addresses of the designated business representatives for Sharyland and SDTS are as follows:

Stacey Doré
Senior Vice President & General Counsel
Hunt Utility Services
1807 Ross Avenue, 4th Floor
Dallas, Texas 75201
(214) 855-6700

Ralph G. Goodlet, Jr.
Senior Vice President
Sharyland Utilities, L.P.
1900 N. Akard Street
Dallas, Texas 75201
(214) 978-8000

For purposes of this proceeding, the name and address of the designated business representative for Oncor is as follows:

E. Allen Nye, Jr.
Senior Vice President, General Counsel, and Secretary
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202

IV. SERVICE OF PLEADINGS

Pursuant to 16 TAC § 22.74, Sharyland and SDTS request that their authorized representatives for service of pleadings, orders, and other matters related to this Joint Application are:

Lino Mendiola III
State Bar No. 00791248
Jeffrey B. Stuart
State Bar No. 24066160
John M. Zerwas, Jr.
State Bar No. 24066329
EVERSHEDS SUTHERLAND (US) LLP
600 Congress Avenue, Suite 2000
Austin, Texas 78701-3238
(512) 721-2700 – Telephone
(512) 721-2656 – Facsimile
linomendiola@eversheds-sutherland.com

jeffreystuart@eversheds-sutherland.com
johnzerwas@eversheds-sutherland.com

Pursuant to 16 TAC § 22.74, Oncor requests that its authorized representatives for service of pleadings, orders, and other matters related to this Joint Application are:

Matthew C. Henry
State Bar No. 00790870
Tab R. Urbantke
State Bar No. 24034717
Jaren A. Taylor
State Bar No. 24059069
VINSON & ELKINS LLP
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
(214) 220-7726 – Telephone
(214) 220-7716 – Facsimile
mhenry@velaw.com
turbantke@velaw.com
jarentaylor@velaw.com

V. JURISDICTION

The Commission has jurisdiction over this Joint Application under PURA §§ 14.101, 35.004, and 37.154, and the extent applicable, PURA §§ 39.262(l)–(m) and 39.915.

VI. PERSONS POTENTIALLY AFFECTED BY THIS JOINT APPLICATION

Persons potentially affected by this Joint Application include all of those persons identified in Section X relating to proposed notice.

VII. INFORMATION FILED WITH THIS JOINT APPLICATION

As discussed above, Joint Applicants are filing the Stipulation that resolves the issues in this proceeding as Exhibit A to the Joint Application. The Stipulation includes a Joint Proposed Order approving the Proposed Transaction consistent with the regulatory conditions and commitments. Joint Applicants have prepared the Commission's Application for Sale, Transfer, or Merger form, as applicable to the Proposed Transaction, which is attached as Exhibit B to this Joint Application. Joint Applicants are also including proposed direct and publication notices and a proposed protective order (attached as Exhibits C and D, respectively) for the Commission's

consideration. The Merger Agreement executed between Sharyland/SDTS and Oncor is attached as Exhibit E. Finally, Joint Applicants are filing the following sworn direct testimony (with exhibits and attachments) from the following witnesses:

Witness	Applicant	Topic
David A. Campbell	Sharyland/SDTS	Overview of Proposed Transaction and Impact on Sharyland
Ralph G. Goodlet, Jr.	Sharyland/SDTS	Background of Sharyland and SDTS; Regulatory Issues and Statutory Factors; Public Interest Considerations; Regulatory Conditions and Commitments; Customer Transition
D. Greg Wilks	Sharyland/SDTS	Accounting Issues; Transition Costs
Mark D. Meyer	Sharyland/SDTS	Prudence of Assets; CCN Rights; Integration, Operation, and Maintenance of Transmission Assets; Wholesale Service to Oncor
James W. Daniel	Sharyland/SDTS	WTS Rate and Tariff Revisions
James A. Greer	Oncor	Overview of Proposed Transaction; Current Reliability; SAIDI/SAIFI Reporting
W. Mark Carpenter	Oncor	Expected Reliability; Transition Process; Operational Regulatory Conditions
Stephen N. Ragland	Oncor	Regulatory Issues and Statutory Factors; Regulatory Conditions and Commitments
R. Keith Pruett	Oncor	Accounting Issues; Regulatory Assets
Salvatore P. Montalbano	Joint Applicants	ADFIT-Related Adjustments; Private Letter Ruling and Related Regulatory Assets

VIII. STATUTORY CRITERIA UNDER PURA §§ 14.101, 39.262(l)–(m), 39.915, and 37.154

a. Criteria Under PURA § 14.101

PURA § 14.101(a) requires public utilities to report within a reasonable time any transaction in which the utility sells, acquires, or leases “a plant as an operating unit or system in this state for a total consideration of more than \$10 million.” The utility must report the transaction at least one Commission working day before the transaction closes.¹¹ PURA § 14.101(b) requires the Commission to consider the effect of the transaction on certain specific areas of public concern, including:

- Whether the transaction will adversely affect the health or safety of customers or employees (subsection (b)(2)(A));
- Whether the transaction will result in the transfer of jobs of citizens of Texas to workers domiciled outside the state (subsection (b)(2)(B));
- Whether the transaction will result in the decline of service (subsection (b)(2)(C));
- Whether the public utility will receive consideration equal to the reasonable value of the utility’s assets (subsection (b)(3)); and
- Whether the transaction is consistent with the public interest (subsection (b)(4)).

The Proposed Transaction should be approved based on all of these statutory criteria. Specifically:

Public Interest. As mentioned above and discussed in the direct testimony of Sharyland/SDTS witness Mr. Goodlet, this Proposed Transaction will provide substantial rate relief to Sharyland’s current retail electric delivery customers in the SBC divisions, including the residential customers who experienced a significant rate increase as a result of the movement towards cost-based rates approved in Docket No. 41474. In addition, Sharyland’s retail electric delivery customers in the McAllen division will benefit from the Proposed Transaction because they will avoid experiencing the significant rate shock that would occur as a result of the cost-based rates that the final order in Docket No. 41474 requires to be proposed.

Due to a number of unique factors, primarily relating to lack of economies of scale and low customer density, Sharyland’s retail electric delivery rates in the SBC

¹¹ 16 TAC § 25.74(b).

divisions are significantly higher than those of Oncor and the other TDUs in Texas. This rate disparity has been the subject of numerous complaints to the Commission, state officials, and lawmakers and was addressed in a 2015 Staff report.¹² Because of the unique factors mentioned above and Sharyland's higher cost of service per customer, it is not feasible to reduce Sharyland's retail electric delivery rates to Oncor's level (or even near that level). After the Proposed Transaction closes, these customers will be served based on Oncor's much lower per-customer cost of service.

Health or Safety. The Proposed Transaction will not adversely affect health or safety of customers or employees of Sharyland or Oncor because operations of the transferred assets will be moving from one Commission-certificated utility to another. Both Sharyland and Oncor have the resources to provide safe and reliable service.

Texas Jobs. The Proposed Transaction will not result in a transfer of jobs from citizens of this state to workers domiciled elsewhere.

Decline of Service. The Proposed Transaction will not result in a decline of service because operations of the transferred assets will be moving from one Commission-certificated utility to another. Both Sharyland and Oncor have the resources to provide safe and reliable service.

Reasonable Value of the Assets. SDTS will exchange an estimated \$400 million of distribution and transmission assets and certain associated property for approximately \$380 million of transmission assets and \$20 million in cash from Oncor, subject to a customary true-up at closing. Additionally, Sharyland will receive approximately \$6.5 million in cash, net of liabilities, for the general plant and regulatory assets that Sharyland will transfer to Oncor. Because of these similar values, the Proposed Transaction reflects a reasonable value of the exchanged assets.

b. Criteria Under PURA §§ 39.262(l)–(m) and 39.915

PURA §§ 39.262(l)–(m) and 39.915 require an electric utility to report to and obtain approval from the Commission before closing a transaction in which:

- (1) the electric utility or transmission and distribution utility will be merged or consolidated with another electric utility or transmission and distribution utility;

¹² *Relating to a Project Regarding Sharyland Utility Complaints*, Project No. 44592, Staff Report on the Factors and Historical Background Underlying the Rates of Sharyland Utilities (Sept. 8, 2015).

- (2) at least 50 percent of the stock of the electric utility or transmission and distribution utility will be transferred or sold; or
- (3) a controlling interest or operational control of the electric utility or transmission and distribution utility will be transferred.¹³

These provisions provide that the Commission shall approve such a transaction if the Commission finds that it is in the public interest. In making its public interest determination, the Commission is required to consider “whether the transaction will adversely affect the reliability of service, availability of service, or cost of service of the electric utility or transmission and distribution utility.”¹⁴ To the extent PURA §§ 39.262(l)–(m) and 39.915 apply to the Proposed Transaction, the Proposed Transaction satisfies the public interest standard in those provisions for the reasons discussed in subsections (a) and (c) of this Section VIII.

c. Criteria Under PURA § 37.154

PURA § 37.154(a) states that an “electric utility may sell, assign, or lease a certificate or right obtained under a certificate if the commission determines that the purchaser, assignee, or lessee can provide adequate service.” Oncor currently operates the largest transmission and distribution system in the state and has a good reputation of providing safe and reliable service to millions of Texans. Oncor can clearly “provide adequate service” and thus the transfer of Sharyland’s CCN rights to Oncor satisfies PURA § 37.154.

In addition, Sharyland has provided safe and reliable transmission service within ERCOT since 2000 and has received Commission approval to build, acquire, operate, and maintain numerous transmission facilities. Thus, Sharyland is fully capable of providing adequate service to wholesale transmission customers, and the Commission should amend Sharyland’s CCNs to permit the operation and maintenance of the assets transferred from Oncor.

IX. SPECIFIC RELIEF REQUESTED

Joint Applicants request that the Commission issue a final order that is identical in all material respects to the Joint Proposed Order included with the Stipulation (Exhibit

¹³ PURA §§ 39.262(l), 39.915(a).

¹⁴ *Id.* at §§ 39.262(m), 39.915(b).

A) that approves the Proposed Transaction as in the public interest under PURA § 14.101, and to the extent applicable, PURA §§ 39.262(l)–(m) and 39.915; grants the transfer to Oncor of CCN rights under PURA § 37.154; amends Sharyland's CCNs as contemplated in the Proposed Transaction; and approves the regulatory conditions and commitments proposed in this Joint Application and supported in the Stipulation. The specific requested Commission findings and determinations are also discussed in Sharyland/SDTS witness Mr. Goodlet's direct testimony.

X. PROPOSED NOTICE

Joint Applicants propose to provide reasonable notice under 16 TAC § 22.55. Joint Applicants propose to provide notice of this Joint Application (in the form of Exhibit C) by first class mail to: (1) all counties and municipalities in which the transferred assets are located; (2) all entities listed in the Commission's wholesale transmission matrix; (3) all REPs serving customers in Sharyland's and Oncor's service territories; and (4) all neighboring utilities and electric cooperatives. In addition, Joint Applicants will provide further notice of this docket by publication (also provided in Exhibit C) in newspapers having general circulation in the counties in which the assets are located, once a week for two consecutive weeks. Finally, Joint Applicants will, at the time of the filing of this Joint Application, provide a complete copy of this filing to counsel for all parties in Docket Nos. 45414 and 46957.

XI. MOTION FOR APPROVAL OF PROTECTIVE ORDER

Joint Applicants anticipate that in the course of this proceeding they may be asked to furnish confidential information, including competitively sensitive information not subject to public disclosure. In order to facilitate discovery of confidential information that should be protected from public disclosure, Joint Applicants request the entry of a protective order in this proceeding. The Commission's standard form of protective order is attached hereto as Exhibit D.

XII. REQUEST THAT THE COMMISSION HEAR THIS PROCEEDING AND SET A 30-DAY INTERVENTION DEADLINE

Because the Proposed Transaction will result in substantial rate relief for Sharyland's current retail electric customers, it is in the public interest that the Joint

Application be processed as expeditiously as possible. Additionally, to the extent PURA §§ 39.262(l)–(m) and 39.915 apply to this proceeding, the Commission determination on the Proposed Transaction is required within 180 days after this filing.¹⁵ Accordingly, Joint Applicants request that the Commission hear this proceeding instead of referring it to the State Office of Administrative Hearings.

For the same reasons, Joint Applicants also request that the Commission set a 30-day intervention deadline in this proceeding. Under 16 TAC § 22.104(b), “[m]otions to intervene shall be filed within 45 days from the date an application is filed with the commission unless otherwise provided by statute, commission rule, or order of the presiding officer.” Joint Applicants thus request a good cause exception under 16 TAC § 22.5(b) to the 45-day intervention period requirement and propose that the Commission instead establish a 30-day intervention deadline.

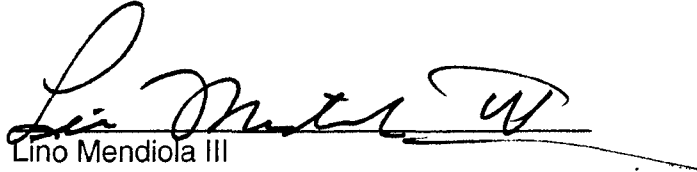
XIII. CONCLUSION AND PRAYER

WHEREFORE, PREMISES CONSIDERED, Joint Applicants respectfully request that the Commission grant the specific relief requested in this Joint Application, adopt the Joint Proposed Order attached as Exhibit A to the Stipulation, and grant Joint Applicants such other relief to which they have shown themselves to be entitled.

Dated: August 4, 2017

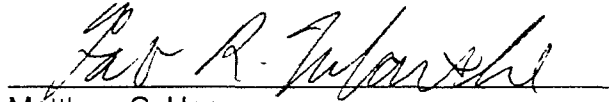
¹⁵ See *id.* at §§ 39.262(l)–(m), 39.915.

Respectfully submitted,



Lino Mendiola III
State Bar No. 00791248
Jeffrey B. Stuart
State Bar No. 24066160
John M. Zerwas, Jr.
State Bar No. 24066329
EVERSHEDS SUTHERLAND (US) LLP
600 Congress Avenue, Suite 2000
Austin, Texas 78701-3238
(512) 721-2700 (Telephone)
(512) 721-2656 (Facsimile)
linomendiola@eversheds-sutherland.com
jeffreystuart@eversheds-sutherland.com
johnzerwas@eversheds-sutherland.com

*Attorneys for Sharyland Utilities, L.P. and Sharyland
Distribution & Transmission Services, L.L.C.*



Matthew C. Henry
State Bar No. 00790870
Tab R. Urbantke
State Bar No. 24034717
Jaren A. Taylor
State Bar No. 24059069
VINSON & ELKINS LLP
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
(214) 220-7726 – Telephone
(214) 220-7716 – Facsimile
mhenry@velaw.com
turbantke@velaw.com
jarentaylor@velaw.com

E. Allen Nye, Jr.
Senior Vice President, General Counsel, and Secretary
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
allen.nye@oncor.com

Attorneys for Oncor Electric Delivery Company LLC

CERTIFICATE OF SERVICE

It is hereby certified that a true and correct copy of the above and foregoing has been hand delivered or sent via overnight delivery to all parties in Docket Nos. 45414 and 46957 on this 4th day of August, 2017.

A handwritten signature in black ink, appearing to read 'SKM', is written above a horizontal line.

Sarah K. Merrick

Exhibit A - Stipulation & Settlement Agreement

DOCKET NO. 47469

JOINT REPORT AND APPLICATION	§	
OF SHARYLAND UTILITIES, L.P.,	§	
SHARYLAND DISTRIBUTION &	§	BEFORE THE
TRANSMISSION SERVICES, L.L.C.,	§	
AND ONCOR ELECTRIC DELIVERY	§	
COMPANY LLC FOR TRANSFER OF	§	PUBLIC UTILITY COMMISSION
FACILITIES, TRANSFER OF RIGHTS	§	
UNDER AND AMENDMENT OF	§	
CERTIFICATES OF CONVENIENCE	§	OF TEXAS
AND NECESSITY, AND FOR OTHER	§	
REGULATORY APPROVALS	§	

STIPULATION AND SETTLEMENT AGREEMENT

As of July 21, 2017, this Stipulation and Settlement Agreement (“Stipulation”) is made and entered into by and among Sharyland Utilities, L.P. (“Sharyland”), Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”), and Oncor Electric Delivery Company LLC (“Oncor”) (collectively “Joint Applicants”); Staff (“Staff”) of the Public Utility Commission of Texas (“Commission”); Office of Public Utility Counsel (“OPUC”); St. Lawrence Cotton Growers’ Association (“St. Lawrence”); Cities of Midland, Colorado City, McAllen, and Farmersville; City of Mission; TXU Energy Retail Company LLC (“TXU Energy”); Reliant Energy Retail Services, Green Mountain Energy Company, and US Retailers, LLC (collectively “NRG Retail Companies”); Texas Cotton Ginners’ Association (“TCGA”); Alliance for Retail Markets (“ARM”); Texas Energy Association for Marketers (“TEAM”); the Steering Committee of Cities Served by Oncor; and Alliance of Oncor Cities (collectively “the Signatories”).¹

The Signatories agree that a negotiated resolution of this proceeding on the basis set forth in this Stipulation is in the public interest, is a reasonable disposition of all issues in this docket, and will conserve the parties’ and the public’s resources. The Signatories request approval of this Stipulation and entry of the Proposed Order, attached hereto as Exhibit A.

¹ The following parties are not Signatories to this Stipulation but have authorized counsel for Sharyland or Oncor to indicate that such parties do not oppose this Stipulation and do not oppose the Commission entering a final order consistent with this Stipulation: Texas Industrial Energy Consumers (“TIEC”); Targa Pipeline Mid-Continent WestTex, LLC; and Golden Spread Electric Cooperative.

Exhibit A - Stipulation & Settlement Agreement

I. Background

This Stipulation is being filed concurrent with the Joint Report and Application (“Joint Application”) submitted to the Commission by the Joint Applicants pursuant to Sections 14.101, 37.154, 39.262(l)-(m), and 39.915 of the Public Utility Regulatory Act (“PURA”).² The Joint Application requests the Commission’s approval of a transaction in which the Joint Applicants will exchange certain assets with each other, resulting in all of Sharyland’s existing retail electric delivery customers becoming Oncor’s retail electric delivery customers and Sharyland serving only as a transmission service provider (“TSP”) (the “Proposed Transaction”). Specifically, the Proposed Transaction contemplates that Sharyland and SDTS will transfer to Oncor all property and other assets used in Sharyland’s retail electric distribution business (other than certain excluded assets that Oncor declines to acquire), and all obligations and liabilities to the extent they arise from or relate to the use or operation of such assets (other than certain excluded liabilities) in the Stanton and McAllen divisions. Sharyland will retain the existing transmission and substation assets (including the distribution portion of those substations) in those two divisions. In addition, for the Brady and Celeste divisions, Sharyland and SDTS will transfer to Oncor all property and other assets used in Sharyland’s electric transmission and distribution business (other than certain excluded assets) and all obligations and liabilities to the extent they arise from or relate to the use or operation of those assets (other than certain excluded liabilities).

The Proposed Transaction contemplates that Oncor will transfer to SDTS the following transmission assets, which qualify for inclusion in transmission rate base: (a) approximately the western-most 60 miles of the 345 kV transmission line from Clear Crossing to Willow Creek; (b) approximately the western-most 12 miles of the 345 kV transmission line from Bowman to Riley; (c) approximately the western-most 13 miles of the 345 kV transmission line from Riley to Krum West; (d) the 345 kV transmission line from Bluff Creek to Brown; (e) approximately the western-most 85 miles of the 345 kV transmission line from Brown to Newton.

Further, the Proposed Transaction contemplates that Sharyland will transfer to Oncor the rights under Sharyland’s certificates of convenience and necessity (“CCNs”) to provide retail electric delivery service in the geographic area currently certificated to Sharyland, and Sharyland’s CCNs will be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor.

² Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–66.016 (West 2007 & Supp. 2016) (“PURA”).

Exhibit A - Stipulation & Settlement Agreement

The Proposed Transaction has been structured so that Oncor and Sharyland/SDTS receive assets and other consideration of equal value. Finally, as will be described in the Joint Application, the Proposed Transaction also includes several regulatory conditions and/or commitments of Joint Applicants.

II. Terms of Stipulation

By this Stipulation, the Signatories resolve all issues among them related to this proceeding and hereby stipulate and agree as follows and request that the Commission enter the Proposed Order attached hereto as Exhibit A that reflects the following:

- A. Approval of the Proposed Transaction as in the public interest pursuant to PURA §§ 14.101, 39.262(l)-(m), and 39.915.
- B. Approval pursuant to PURA § 37.154 of the transfer to Oncor of all of Sharyland's rights under its CCNs to provide retail electric delivery service (transmission and distribution voltage) in the geographic area currently certificated to Sharyland, including the right to construct facilities necessary to interconnect retail customers, including new load-serving substations (on terms to be more definitively set forth in the interconnection agreement between Joint Applicants).
- C. Approval of an amendment to Sharyland's CCNs to permit Sharyland to operate and maintain the transmission assets transferred from Oncor.
- D. Approval of a revision to Sharyland's wholesale transmission service ("WTS") rate in this proceeding to reflect the addition to rate base of the transmission assets transferred from Oncor. This revision will not count against Sharyland's annual allowable interim transmission cost of service updates under 16 Tex. Admin. Code ("TAC") § 25.192(h)(1). Upon closing of the Proposed Transaction, Sharyland will begin charging wholesale customers under a revised WTS tariff to reflect the aforementioned rate base additions. Prior to the closing of the Proposed Transaction, Sharyland will file a revised WTS tariff as a compliance filing.
- E. Approval of Sharyland's recovery of certain actual transition costs associated with the Proposed Transaction in an amount not to exceed \$17 million. The transition costs will be recovered through a rider to Sharyland's WTS tariff. The rider will take effect on January 1, 2018, and shall remain in effect for a period of two (2) years.

Exhibit A - Stipulation & Settlement Agreement

- F. Approval of the adjustments to the respective rate bases of Joint Applicants to reflect the impacts of the Proposed Transaction, including for impacts of the Proposed Transaction related to accumulated deferred federal income taxes (“ADFIT”), as described below in Paragraph G.
- G. Approval that, upon closing of the Proposed Transaction, each of Oncor and SDTS shall remove or eliminate the ADFIT attributable to the assets each is dispensing of and book a deferred tax liability (resulting in an effective reduction of their rate bases) under Accounting Standards Codification 740 (FAS 109) (or similar Generally Accepted Accounting Principles (“GAAP”)) to account for the difference in initial GAAP and the federal tax bases of SDTS’s and Oncor’s newly acquired assets, respectively. Oncor and SDTS shall use commercially reasonable efforts to procure private letter ruling(s) from the Internal Revenue Service confirming that this treatment of ADFIT is consistent with, and does not violate, the normalization accounting rules of Section 168(i)(9) of the Internal Revenue Code of 1986, as amended, and Treasury Regulations Section 1.167(l)-1(h) (the “Private Letter Ruling”). If a favorable Private Letter Ruling is not obtained, the latter above-described deferred tax liability adjustments for the newly-acquired assets shall be reversed, Joint Applicants will be authorized to capture the difference and record on their respective books a recoverable regulatory asset in the dollar amount that has been under-recovered as a result of the treatment of ADFIT. For Sharyland, the recoverable regulatory asset will be recorded for the period beginning on the date Sharyland’s WTS rates approved in accordance with Subsection D of this section became effective and end on the date that new rates are adopted for Sharyland reflecting the reversal of such deferred tax liability. For Oncor, the recoverable regulatory asset will be recorded for the period beginning on the date that Oncor’s existing rates became effective and ending on the date that new rates are adopted for Oncor reflecting the reversal of such deferred tax liability. Oncor’s rates and Sharyland’s rates will be adjusted accordingly in future rate proceedings.
- H. A finding or findings that all capital investment in the assets transferred between the Joint Applicants was prudently incurred and should be included in rate base.
- I. Approval of Oncor’s recovery of the interim rate regulatory asset related to Sharyland’s residential interim rates approved in Docket No. 45414.

Exhibit A - Stipulation & Settlement Agreement

- J. Approval for Oncor to incorporate Sharyland's Energy Efficiency Cost Recovery Factor ("EECRF") and Transmission Cost Recovery Factor ("TCRF") regulatory assets or liabilities into Oncor's EECRF and TCRF, respectively.
- K. A finding or findings that relieve Sharyland from all reporting obligations related to the operation of the assets transferred from SDTS with respect to reports that are due on or after the Proposed Transaction closes, including, but not limited to, annual System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") reports.
- L. A finding or findings that reflect the following regarding Oncor's reporting and tabulating the legacy Sharyland/SDTS distribution system SAIDI and SAIFI: While Oncor is committed to improving service in the legacy Sharyland service area, it will take a period of time for Oncor to evaluate, determine the needs of the system, and execute upon reliability improvement measures. Therefore, for the first ten full years after closing of the transaction contemplated in this docket, all Commission reliability and continuity of service reporting under 16 TAC §§ 25.52 and 25.81 will be reported separately for the current Oncor service territory and the legacy Sharyland service territory. For this ten-year period, Oncor will not be subject to enforcement action or penalty for the performance of the legacy Sharyland service territory. During this ten-year separate reporting period, Oncor and the Commission will together develop an appropriate process for integrated reporting for the two distribution systems going forward after the separate reporting period.
- M. Approval of advanced metering system ("AMS") deployment by Oncor in Sharyland's current service territories, and an order that Oncor submit a compliance filing outlining a schedule for AMS deployment, by geographic division, within a reasonable time following approval of this Stipulation. Oncor expects to complete AMS deployment (including meter provisioning and Lode Star Enhanced file submittals) in the Sharyland territory by December 31, 2018.
- N. A finding that through December 31, 2019, Oncor shall continue to own and maintain those limited distribution lines that are on the customer's side of an existing meter at existing locations. After December 31, 2019, the customers who are served by those distribution lines will own and be responsible for maintaining those lines.

Exhibit A - Stipulation & Settlement Agreement

- O. Any customer in the area currently served by Sharyland who requests new service after the Proposed Transaction closes will be required to have their pole set in accordance with Oncor's policy and practice regarding poles and associated equipment. Current customers of Sharyland who become customers of Oncor as a result of the Proposed Transaction will not be required to set their own service poles at the time of their transition to Oncor. However, if those customers' service poles break or are damaged in the future, the customer will be required to have their pole set in accordance with Oncor's policy and practice.
- P. Approval of or findings regarding the Commission's dismissal of Docket No. 45414 on terms that are identical in all material respects to the Joint Unopposed Motion to Dismiss and the Stipulation Regarding Dismissal of Docket No. 45414 filed in Docket No. 45414.
- Q. Approval of or findings regarding the Commission's final order approving the settlement of Oncor's base rate case in Docket No. 46957 on terms that are identical in all material respects to the terms of the Stipulation filed in Docket No. 46957.
- R. A finding that Oncor will establish a corresponding new electric service identifier ("ESID") for each existing ESID currently assigned to Sharyland according to the plan established pursuant to the requirements of Subsection T. Each new Oncor ESID will be assigned to the corresponding Oncor rate class under the applicable tariff provision. Oncor shall provide reasonable notice to the customer's Retail Electric Provider ("REP") of Record as to the assigned rate class for each ESID.
- S. Findings that the Proposed Transaction and subsequent establishment of new ESIDs for each customer will not, by itself, be deemed as an enrollment in a new retail electric product and will not require authorization disclosures or verification requirements for the REP of Record.
- T. An order that, upon filing of this Stipulation, Applicants shall engage Commission Staff, OPUC, ERCOT, affected customers, and affected REPs serving customers in Sharyland's service territories to hold a series of workshops and market calls to plan and coordinate the transition of Sharyland's current retail electric delivery customers to Oncor pursuant to any applicable ERCOT Protocols, Guides, and Other Binding Documents. Applicants shall engage participants in the workshop(s) to develop reasonable timelines for all aspects of the transition. The parties shall endeavor to complete the transition within sixty (60) days of the closing of the Proposed Transaction.

Exhibit A - Stipulation & Settlement Agreement

- U. An order that all of Sharyland's current retail electric delivery ESIDs will be transitioned to Oncor on a scheduled meter read date for each ESID pursuant to the plan developed under Subsection T, and thereafter will be served by Oncor and be charged Oncor's standard retail electric delivery rates.
- V. An order that Applicants shall provide affected REPs serving customers in Sharyland's service territories with reasonable advance notice of each of: the anticipated closing date of the Proposed Transaction, any meetings of the workshop participants held pursuant to Subsection T, and the date that ESID transitions will begin.

III. Support for the Stipulation

- A. The Signatories agree that the terms of this Stipulation are in the public interest and that the Commission should enter an order materially consistent with this Stipulation and the Proposed Order attached hereto as Exhibit A and provide for its implementation.
- B. The Signatories agree to support fully this Stipulation in all respects and to use all reasonable efforts to obtain prompt adoption of a final order approving the Joint Application based on this Stipulation. The Signatories further agree to take reasonable steps to support the terms of this Stipulation.
- C. The Signatories hereby stipulate and agree that all of the facts and matters stated in this Stipulation are true, accurate, and correct, and may be relied upon by the Commission in resolving this proceeding.

IV. Reservations

- A. This Stipulation has been drafted by all Signatories and is the result of negotiation, compromise, settlement, and accommodation. The Signatories agree that the terms and conditions herein are interdependent. The various provisions of this Stipulation are not severable. None of the provisions shall become finally operative until and unless the Commission shall have entered a final order approving this Stipulation consistent with the Proposed Order. If the Commission does not accept this Stipulation as presented, or issues an order inconsistent with the terms of this Stipulation or the Proposed Order, the Signatories agree that any Signatory adversely affected by that alteration has the right to withdraw from this Stipulation, thereby becoming released from its obligations arising hereunder, and to proceed as otherwise permitted by law to exercise all rights available

Exhibit A - Stipulation & Settlement Agreement

under the law. The right to withdraw must be exercised by providing the other Signatories written notice within twenty (20) calendar days of the date the Commission order acting on this Stipulation is filed. Failure to provide such notice within the specified time period shall constitute a waiver of the right to withdraw and acceptance of the changes to this Stipulation made by the Commission.

- B. This Stipulation is binding on each of the Signatories only for the purpose of resolving the issues as set forth herein and for no other purposes. The matters resolved herein are resolved on the basis of a compromise and settlement. Except to the extent that this Stipulation expressly governs a Signatory's rights and obligations for future periods, this Stipulation shall not be binding or serve as precedent upon a Signatory outside this proceeding except for a proceeding to enforce the terms of this Stipulation. It is acknowledged that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forum. To the extent there is a difference, a Signatory does not waive its position in any of those other proceedings or other forum. Because this is a Stipulation, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other proceedings not referenced in this Stipulation, whether those dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided in this Stipulation.
- C. The provisions of this Stipulation are intended only to relate to the specific matters referred to herein. Notwithstanding any other provision herein, a Signatory's agreement to entry of a final order of the Commission consistent with this Stipulation should not be regarded as an agreement to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Stipulation. It is further understood and agreed that this Stipulation represents a negotiated agreement to ultimately resolve this proceeding.
- D. This Stipulation contains the entire understanding and Stipulation of the Signatories, supersedes all other written and oral exchanges, arrangements, or negotiations among them or their representatives with respect to the subjects contained herein. Oral and written statements made during the course of these negotiations shall not be used as an admission or concession of any sort or as evidence in any other proceeding.

Exhibit A - Stipulation & Settlement Agreement

V. Miscellaneous

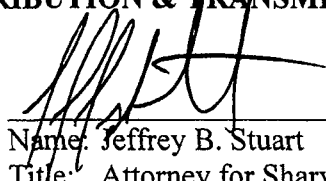
- A. The Signatories further agree that they will continue to support this Stipulation throughout this proceeding and will not oppose it on any appellate review.
- B. The Stipulation constitutes a binding and enforceable contract among the Signatories.
- C. Each person executing this Stipulation represents and warrants that he or she is authorized to sign this Stipulation on behalf of the Signatory represented. Facsimile copies of signatures are valid for purposes of evidencing execution. The Signatories hereby waive the right to an evidentiary hearing in this proceeding and waive cross-examination of all witnesses.
- D. Neither this Stipulation nor its terms may be altered, amended, waived, terminated, discharged or modified, except by a writing properly executed by all the Signatories.
- E. For the convenience of the Signatories, this Stipulation may be executed in multiple counterparts.

IN WITNESS WHEREOF, this Stipulation has been executed, approved and agreed to by the Signatories as of the date first written above.

Exhibit A - Stipulation & Settlement Agreement

**SHARYLAND UTILITIES, L.P. AND SHARYLAND
DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.**

By:



Name: Jeffrey B. Stuart

Title: Attorney for Sharyland Utilities, L.P. and Sharyland Distribution & Transmission
Services, L.L.C.

ONCOR ELECTRIC DELIVERY COMPANY LLC

By:

Name:

Title:

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By:

Name:

Title:

OFFICE OF PUBLIC UTILITY COUNSEL

By:

Name:

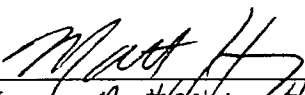
Title:

Exhibit A - Stipulation & Settlement Agreement

**SHARYLAND UTILITIES, L.P. AND SHARYLAND
DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.**

By: _____
Name:
Title:

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: 
Name: *Matthew Henry*
Title: *Partner, Vincent Elkins LLP
Counsel to Oncor*

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Name:
Title:

OFFICE OF PUBLIC UTILITY COUNSEL

By: _____
Name:
Title:

**SHARYLAND UTILITIES, L.P. AND SHARYLAND
DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.**

By: _____
Name:
Title:

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: _____
Name:
Title:

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: Stephen Mack
Name: Stephen Mack
Title: Managing Attorney, Legal Division

OFFICE OF PUBLIC UTILITY COUNSEL

By: _____
Name:
Title:

Exhibit A - Stipulation & Settlement Agreement

**SHARYLAND UTILITIES, L.P. AND SHARYLAND
DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.**

By: _____
Name:
Title:

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: _____
Name:
Title:

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Name:
Title:

OFFICE OF PUBLIC UTILITY COUNSEL

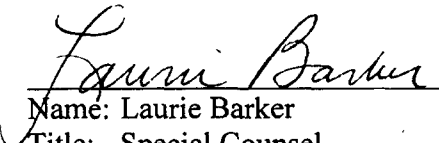
By: 
Name: Laurie Barker
Title: Special Counsel

Exhibit A - Stipulation & Settlement Agreement

TEXAS INDUSTRIAL ENERGY CONSUMERS (Unopposed)

By: _____

Name: *Philip G. Oldham*

Title: *Counsel for TIEC*

TEXAS COTTON GINNERS' ASSOCIATION

By: _____

Name: _____

Title: _____

TXU ENERGY RETAIL COMPANY LLC

By: _____

Name: _____

Title: _____

ST LAWRENCE COTTON GROWERS' ASSOCIATION

By: _____

Name: _____

Title: _____

CITIES OF MIDLAND, COLORADO CITY, MCALLEN, AND FARMERSVILLE

By: _____

Name: _____

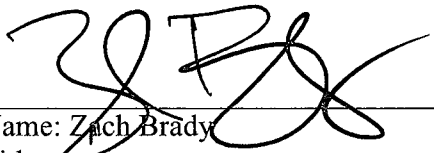
Title: _____

Exhibit A - Stipulation & Settlement Agreement

TEXAS INDUSTRIAL ENERGY CONSUMERS (Unopposed)

By: _____
Name:
Title:

TEXAS COTTON GINNERS' ASSOCIATION

By:  _____
Name: Zach Brady
Title: Attorney

TXU ENERGY RETAIL COMPANY LLC

By: _____
Name:
Title:

ST LAWRENCE COTTON GROWERS' ASSOCIATION

By: _____
Name:
Title:

CITIES OF MIDLAND, COLORADO CITY, MCALLEN, AND FARMERSVILLE

By: _____
Name:
Title:

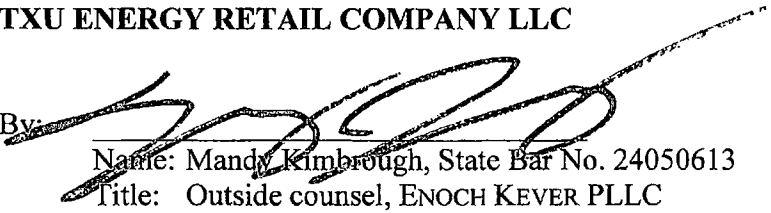
TEXAS INDUSTRIAL ENERGY CONSUMERS (Unopposed)

By: _____
Name:
Title:

TEXAS COTTON GINNERS' ASSOCIATION

By: _____
Name:
Title:

TXU ENERGY RETAIL COMPANY LLC

By: 
Name: Mandy Kimbrough, State Bar No. 24050613
Title: Outside counsel, ENOCH KEVER PLLC

ST LAWRENCE COTTON GROWERS' ASSOCIATION

By: _____
Name:
Title:

CITIES OF MIDLAND, COLORADO CITY, MCALLEN, AND FARMERSVILLE

By: _____
Name:
Title:

TEXAS INDUSTRIAL ENERGY CONSUMERS (Unopposed)

By: _____

Name:

Title:

TEXAS COTTON GINNERS' ASSOCIATION

By: _____

Name:

Title:

TXU ENERGY RETAIL COMPANY LLC

By: _____

Name:

Title:

ST LAWRENCE COTTON GROWERS' ASSOCIATION

By: _____

Name:

Title:

Eddie M. Pope
Eddie M. Pope
Attorney

CITIES OF MIDLAND, COLORADO CITY, MCALLEN, AND FARMERSVILLE

By: _____

Name:

Title:

Exhibit A - Stipulation & Settlement Agreement

By: _____

Name:

Title:

ST LAWRENCE COTTON GROWERS' ASSOCIATION

By: _____

Name:

Title:

CITIES OF MIDLAND, COLORADO CITY, MCALLEN, AND FARMERSVILLE

By: Geoffrey M. Gay

Name: Geoffrey M. Gay

Title: Attorney for Cities

CITY OF MISSION


By: _____

Name:

Title:

CITY OF GREENVILLE

CITY OF MISSION

By: 
Name: Alton J. Hall, Jr.
Title: Attorney for City of Mission

CITY OF GREENVILLE

By: _____
Name: _____
Title: _____

TARGA PIPELINE MID-CONTINENT WESTTEX, LLC

By: _____
Name: _____
Title: _____

NRG ENERGY, INC.

By: _____
Name: _____
Title: _____

ALLIANCE FOR RETAIL MARKETS

By: _____
Name: _____
Title: _____

TEXAS ENERGY ASSOCIATION FOR MARKETERS

By: _____
Name: _____
Title: _____

CITY OF MISSION

By: _____
Name: _____
Title: _____

CITY OF GREENVILLE

By: _____
Name: _____
Title: _____

TARGA PIPELINE MID-CONTINENT WESTTEX, LLC

By: _____
Name: _____
Title: _____

NRG RETAIL COMPANIES

By: Mark A. Walker
Name: Mark A. Walker
Title: Vice President, Regulatory Affairs; Counsel for NRG Retail Companies

ALLIANCE FOR RETAIL MARKETS

By: _____
Name: _____
Title: _____

TEXAS ENERGY ASSOCIATION FOR MARKETERS

By: _____
Name: _____
Title: _____

Exhibit A - Stipulation & Settlement Agreement

CITY OF MISSION

By: _____
Name:
Title:

CITY OF GREENVILLE

By: _____
Name:
Title:


TARGA PIPELINE MID-CONTINENT WESTTEX, LLC

By: _____
Name:
Title:

NRG ENERGY, INC.

By: _____
Name:
Title:

ALLIANCE FOR RETAIL MARKETS

By: 

TEXAS ENERGY ASSOCIATION FOR MARKETERS

By: _____
Name:
Title:

CITY OF MISSION

By: _____
Name:
Title:

CITY OF GREENVILLE

By: _____
Name:
Title:

TARGA PIPELINE MID-CONTINENT WESTTEX, LLC

By: _____
Name:
Title:

NRG ENERGY, INC.

By: _____
Name:
Title:

ALLIANCE FOR RETAIL MARKETS

By: _____
Name:
Title:

TEXAS ENERGY ASSOCIATION FOR MARKETERS

By: Catherine J. Webking
Name: Catherine J. Webking
Title: Attorney for TEAM

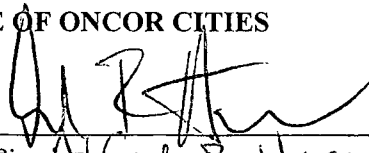
STEERING COMMITTEE OF CITIES SERVED BY ONCOR

By: Geoffrey M. Gay
Name: Geoffrey M. Gay
Title: General Counsel to Steering Committee of
Cities Served by Oncor

STEERING COMMITTEE OF CITIES SERVED BY ONCOR

By: _____
Name:
Title:

ALLIANCE OF ONCOR CITIES

By:  _____
Name: Alfred R. Harper
Title: AOC Attorney

**EXHIBIT A TO STIPULATION AND SETTLEMENT
AGREEMENT –**

JOINT PROPOSED ORDER

DOCKET NO. 47469

JOINT REPORT AND APPLICATION	§	PUBLIC UTILITY COMMISSION
OF SHARYLAND UTILITIES, L.P.,	§	
SHARYLAND DISTRIBUTION &	§	OF TEXAS
TRANSMISSION SERVICES, L.L.C.,	§	
AND ONCOR ELECTRIC DELIVERY	§	
COMPANY, LLC FOR TRANSFER OF	§	
FACILITIES, TRANSFER OF RIGHTS	§	
UNDER AND AMENDMENT OF	§	
CERTIFICATES OF CONVENIENCE	§	
AND NECESSITY, AND FOR OTHER	§	
REGULATORY APPROVALS	§	

ORDER

This Order addresses the Joint Report and Application filed by Sharyland Utilities, L.P. (Sharyland), Sharyland Distribution & Transmission Services, L.L.C. (SDTS), and Oncor Electric Delivery Company LLC (Oncor) (collectively Joint Applicants) pursuant to Sections 14.101 and 37.154, and to the extent applicable, Sections 39.262(l)–(m) and 39.915, of the Public Utility Regulatory Act (PURA).¹

Pursuant to the Proposed Transaction, Sharyland/SDTS and Oncor will exchange certain property and other assets, resulting in all of Sharyland’s current retail electric delivery customers being served by Oncor. Joint Applicants request approval of the proposed transaction (Proposed Transaction), including a determination that: (a) the proposed transfer of assets between the Joint Applicants is in the public interest pursuant to PURA § 14.101, and to the extent applicable, PURA §§ 39.262(l)–(m) and 39.915; (b) Sharyland’s certificate of convenience and necessity (CCN) rights associated with the assets transferred and the corresponding retail service territories should be transferred to Oncor pursuant to PURA § 37.154; (c) Sharyland’s CCNs should be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor; and (d) the regulatory conditions and commitments in support of the Proposed Transaction are reasonable and should be approved.

The Proposed Transaction will provide significant rate relief to Sharyland’s current retail electric delivery customers in the Stanton, Brady, and Celeste divisions (SBC divisions). In

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001–66.016 (West 2016 & Supp. 2017) (PURA).

Exhibit A - Stipulation & Settlement Agreement

addition, the expected rate increase for Sharyland's retail electric delivery customers in the McAllen division will be avoided. Ultimately, the Proposed Transaction seeks to resolve the rate disparity that currently exists between Sharyland's high retail electric delivery rates and those of Oncor and the other transmission and distribution utilities (TDUs) in the Electric Reliability Council of Texas (ERCOT) power region.

This docket was processed in accordance with the applicable statutes and Commission rules. This Order incorporates the Stipulation and Settlement Agreement (Stipulation) entered into by Joint Applicants; Staff (Staff) of the Public Utility Commission of Texas (Commission); Office of Public Utility Counsel (OPUC); St. Lawrence Cotton Growers' Association; Cities of Midland, Colorado City, McAllen, and Farmersville; City of Mission; TXU Energy Retail Company LLC; Reliant Energy Retail Services, Green Mountain Energy Company, and US Retailers, LLC; Texas Cotton Ginners' Association; Alliance for Retail Markets; Texas Energy Association for Marketers; Alliance of Oncor Cities; and the Steering Committee of Cities Served by Oncor (collectively, the Signatories) on July 21, 2017. Texas Industrial Energy Consumers, Targa Pipeline Mid-Continent WestTex, LLC, and Golden Spread Electric Cooperative, are unopposed to the Stipulation. The Stipulation was included as Exhibit A to the Joint Report and Application and is incorporated by reference as if it is fully set forth herein. Having reviewed the Joint Report and Application, the Stipulation, and the testimony and exhibits, the Commission approves the Joint Report and Application.

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

I. Findings of Fact

Procedural History

1. On August 4, 2017, Joint Applicants filed their Joint Report and Application requesting approval of the Proposed Transaction and a Commission determination that: (a) the proposed transfer of assets between the Joint Applicants is in the public interest pursuant to PURA § 14.101, and to the extent applicable, PURA §§ 39.262(l)–(m) and 39.915; (b) the CCN rights associated with the assets transferred from SDTS and Sharyland's retail service territory should be transferred to Oncor pursuant to PURA § 37.154; (c) Sharyland's CCNs should be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor; and (d) the regulatory conditions and

Exhibit A - Stipulation & Settlement Agreement

commitments in support of the Proposed Transaction and agreed to in the Stipulation are reasonable and should be approved.

2. The following parties were granted intervenor status in this proceeding: _____
3. On _____, 2017, the Commission filed the Preliminary Order identifying the issues to be addressed in this docket.
4. On _____, 2017, the Commission filed Order No. __, admitting into evidence (a) the Joint Report and Application, filed August 4, 2017; (b) the Stipulation, filed August 4, 2017; (c) Joint Applicants' direct testimony, filed August 4, 2017; and (d) Joint Applicants' Proof of Notice, filed _____, 2017.

Notice

5. Notice of the Proposed Transaction and this docket was provided by first-class mail to: (a) all counties and municipalities in which the transferred assets are located; (b) all entities listed in the Commission's wholesale transmission matrix; (c) all retail electric providers (REPs) serving customers in Sharyland's and Oncor's service territories; and (d) all neighboring utilities and electric cooperatives. In addition, notice of this docket was provided by publication in newspapers having general circulation in the counties in which the assets are located once a week for two consecutive weeks in accordance with 16 Tex. Admin. Code § 22.55 (TAC). A complete copy of the Joint Report and Application was provided to counsel for all parties in Docket Nos. 45414² and 46957³.
6. On _____, 2017, the Commission approved Joint Applicants' forms of notice. On _____, 2017, Joint Applicants filed their Proof of Notice.

Description of the Parties to the Transaction

7. Sharyland is currently a TDU serving approximately 54,000 metered and unmetered accounts in a service territory that includes 29 counties and 4 noncontiguous, geographically-diverse divisions (*i.e.*, the McAllen and the SBC divisions). Its transmission facilities consist of 69, 138, and 345 kilovolt (kV) transmission lines (and related infrastructure) connected to the ERCOT grid; a 300 megawatt high voltage direct

² *Review of the Rates of Sharyland Utilities, L.P., Establishment of Rates for Sharyland Distribution & Transmission Services, L.L.C., and Request for Grant of a Certificate of Convenience and Necessity and Transfer of Certificate Rights*, Docket No. 45414 (pending).

³ *Application of Oncor Electric Delivery Company, LLC for Authority to Change Rates*, Docket No. 46957 (pending).

Exhibit A - Stipulation & Settlement Agreement

current interconnection between ERCOT and the Mexican electric grid; and a transmission operations center and backup control center in Amarillo, Texas. The 345 kV transmission lines include approximately 300 miles of Competitive Renewable Energy Zones lines in the Panhandle and South Plains regions of Texas.

8. The owners of Sharyland formed SDTS to facilitate broader financing options for new transmission and distribution assets. The 2008 final order in Docket No. 35287 approved a restructuring of Sharyland, in which Sharyland transferred its ownership interests in its transmission and distribution assets to SDTS and SDTS leases the transmission and distribution assets to Sharyland to operate and provide service to wholesale and retail customers.⁴
9. Oncor is the largest TDU in Texas. Oncor transmits and distributes electricity to approximately 3.4 million points of delivery representing approximately ten million people. Oncor serves over 400 cities and over 90 counties throughout large portions of West, North, Central, and East Texas within the ERCOT control area. Oncor has over 3,500 employees. To provide electric delivery services, Oncor owns, operates, and maintains one of the largest integrated electric systems in the United States and the largest in Texas. Oncor's facilities include approximately 122,500 circuit miles of transmission and distribution lines within ERCOT. Oncor also provides limited open access wholesale transmission and interconnection service under tariffs on file with the Federal Energy Regulatory Commission. Oncor has an experienced senior leadership team with a combined total of over 200 years of utility experience and a demonstrated commitment to providing safe and reliable service to customers at a reasonable cost. Relying on both traditional and new technology-driven infrastructure to improve performance, Oncor consistently maintains top performance in employee safety and system reliability.

Description of the Proposed Transaction

10. The Proposed Transaction is an exchange of assets between the Joint Applicants. SDTS and Oncor will exchange certain assets with each other, and Oncor will purchase certain associated property from Sharyland, resulting in all of Sharyland's existing retail electric delivery customers becoming Oncor's retail electric delivery customers and Sharyland no

⁴ Joint Application of Sharyland Utilities, LP and Sharyland Distribution & Transmission Services, LP for Regulatory Approvals Pursuant to PURA §§ 14.101, 39.262, and 39.915, Docket No. 35287, Order (Jul. 21, 2008).

Exhibit A - Stipulation & Settlement Agreement

longer operating as a distribution service provider (DSP). The terms and conditions involving the Proposed Transaction are described in detail in the July 21, 2017 Agreement and Plan of Merger (Merger Agreement) between Sharyland, SDTS, and Oncor.

11. The Proposed Transaction primarily involves the exchange of like-kind assets as that term is defined in Section 1031 of the Internal Revenue Code of 1986 (the Code). For any of SDTS's assets that do not qualify as like-kind, Oncor will provide a cash payment.
12. To effectuate the Proposed Transaction, the parties formed new limited liability companies—SDTS AssetCo, L.L.C. (SDTS AssetCo), SU AssetCo, L.L.C. (SU AssetCo), and Oncor AssetCo LLC (Oncor AssetCo). SDTS and Sharyland will transfer all of their assets and liabilities (other than certain excluded assets and liabilities) associated with the retail electric distribution business to SDTS AssetCo and SU AssetCo, respectively. With respect to the Brady and Celeste divisions, certain transmission assets (other than certain excluded assets and liabilities) will also be allocated by SDTS and Sharyland to SDTS AssetCo and SU AssetCo. Oncor will also acquire Sharyland's rights under its CCNs to operate and maintain the assets and provide retail electric delivery service in the geographic areas currently certificated to Sharyland.
13. Oncor will transfer the following transmission assets to Oncor AssetCo prior to closing: (a) approximately the western-most 60 miles of the 345 kV transmission line from Clear Crossing to Willow Creek; (b) approximately the western-most 12 miles of the 345 kV transmission line from Bowman to Riley; (c) approximately the western-most 13 miles of the 345 kV transmission line from Riley to Krum West; (d) the 345 kV transmission line from Bluff Creek to Brown; and (e) approximately the western-most 85 miles of the 345 kV transmission line from Brown to Newton. If the net book value of certain of the SDTS assets to be transferred to Oncor exceeds \$390 million, the Brown Static VAR Compensator will be included in the Oncor assets and the mileage of the transmission lines to be transferred to SDTS will be reduced on a tower-by-tower basis accordingly.
14. The assets and other consideration exchanged between Joint Applicants will be of substantially similar value. SDTS will exchange an estimated \$400 million of distribution and transmission assets and certain associated property for approximately \$380 million of transmission assets and \$20 million in cash from Oncor, subject to a customary true-up at or after closing. Additionally, Sharyland will receive approximately

Exhibit A - Stipulation & Settlement Agreement

\$6.5 million in cash, net of liabilities and subject to a customary true-up at or after closing, for the general plant and regulatory assets that Sharyland will transfer to Oncor.

15. The value of the Joint Applicants' respective assets will be determined based on the net book value of such assets as of the date of closing. At closing, SDTS AssetCo and SU AssetCo will merge with and into Oncor, with Oncor as the surviving entity, and Oncor AssetCo will merge with and into SDTS, with SDTS as the surviving entity. With respect to the non-like kind assets contained in SDTS AssetCo, Oncor will pay for these assets in cash. The sum of the net book value of Oncor's assets in Oncor AssetCo and the cash payment will be similar in value to the assets transferred from SDTS and Sharyland to SDTS AssetCo and SU AssetCo.
16. Sharyland seeks to recover certain actual transition costs in an amount not to exceed \$17 million that Sharyland will incur as a result of the Proposed Transaction.

Transition of Customers from Sharyland to Oncor

17. Joint Applicants will coordinate the transition of all of Sharyland's existing retail electric delivery customers to Oncor (the Transition) pursuant to a transition services agreement. Sharyland will continue to provide retail electric delivery service to its current customers under its retail electric delivery tariff until the Transition is finalized, and will retain the limited necessary CCN rights to provide these services during the Transition. The Transition is expected to take approximately 30 to 60 days after the Proposed Transaction closes.
18. Joint Applicants will hold a series of workshops and market calls with Staff, OPUC, ERCOT, affected customers, and affected REPs to plan and coordinate the Transition consistent with applicable ERCOT and Commission requirements. Joint Applicants will work with these parties to develop reasonable timelines for the necessary processes.
19. For the customers transitioned from Sharyland, Oncor will establish new electric service identifiers (ESIDs), assigning each new ESID to the corresponding Oncor rate class under the applicable tariff provisions. Oncor will provide reasonable notice to each customer's REP of Record as to the assigned rate class for each ESID.
20. Sharyland should not be required to maintain the ability to process cancel/rebills through a Customer Information System or Electronic Data Interchange market interfaces as

required by the ERCOT Retail Market Guide.⁵ Sharyland will, however, maintain financial responsibility for cancel/rebill amounts that are required to be paid for the period prior to the time that retail electric delivery customers are transitioned to Oncor. Sharyland will work with REPs, ERCOT, and retail electric delivery customers through the series of workshops discussed above to develop procedures to appropriately process such cancel/rebill amounts, as well as any associated resettlement of the ERCOT market.

21. Sharyland should be exempted from the Fall 2017 ERCOT flight test with the REPs.

Description of the Applicants Following the Closing of the Proposed Transaction

22. Following the closing of the Proposed Transaction, Sharyland will operate only as a transmission service provider (TSP), serving wholesale customers through its WTS tariff and its wholesale distribution substation service (WDSS) tariff.
23. After closing, Oncor will serve Sharyland's current retail electric delivery customers. Sharyland will no longer serve retail electric delivery customers and will no longer serve as a DSP.

Effect of the Proposed Transaction

24. The Proposed Transaction will not adversely affect the health or safety of Sharyland or Oncor's customers.
25. The Proposed Transaction will not result in the transfer of jobs of citizens of this state to workers domiciled outside of this state.
26. The Proposed Transaction will not result in a decline in service by Sharyland or Oncor.
27. The Proposed Transaction will afford significant rate relief to Sharyland's current retail electric delivery customers, which will be transitioned to Oncor.

The Stipulation

28. The Signatories have stipulated and agreed to the following:
 - a. The Proposed Transaction is in the public interest pursuant to PURA §§ 14.101, 39.262(l)–(m), and 39.915.
 - b. The transfer to Oncor of all of Sharyland's rights under its CCNs to provide retail electric delivery service (transmission and distribution voltage) in the geographic areas currently certificated to Sharyland, including the right to construct facilities necessary to interconnect retail customers, including new load-serving substations (on

⁵ See ERCOT Retail Market Guide § 7.11.6(3)(h).

Exhibit A - Stipulation & Settlement Agreement

terms to be more definitely set forth in the interconnection agreement between Sharyland and Oncor) should be approved pursuant to PURA § 37.154.

- c. An amendment to Sharyland's CCNs to permit Sharyland to operate and maintain the transmission assets transferred from Oncor should be approved.
- d. A revision to Sharyland's WTS rate in this proceeding to reflect the addition to rate base of the transmission assets transferred from Oncor should be approved. This revision will not count against Sharyland's annual allowable interim TCOS updates under 16 TAC § 25.192(h)(1). Upon closing of the Proposed Transaction, Sharyland will begin charging wholesale customers under a revised WTS tariff to reflect the aforementioned rate base additions. Prior to the closing of the Proposed Transaction, Sharyland will file a revised WTS tariff as a compliance filing.
- e. Sharyland's recovery of certain actual transition costs associated with the Proposed Transaction in an amount not to exceed \$17 million should be approved. The transition costs will be recovered through a rider to Sharyland's WTS tariff, which will take effect on January 1, 2018, and shall remain in effect for a period of two (2) years.
- f. Joint Applicants' respective rate bases should be adjusted to reflect the impacts of the Proposed Transaction, including for impacts of the Proposed Transaction related to accumulated deferred federal income taxes (ADFIT), as described below in subsection g.
- g. Upon the closing of the Proposed Transaction, each of Oncor and SDTS shall remove or eliminate the ADFIT attributable to the assets each is dispensing of and book a deferred tax liability (resulting in an effective reduction of their rate bases) under Accounting Standards Codification 740 (FAS 109) (or similar Generally Accepted Accounting Principles (GAAP)) to account for the difference in initial GAAP and the federal tax bases of SDTS's and Oncor's newly acquired assets, respectively. Oncor and SDTS shall use commercially reasonable efforts to procure private letter ruling(s) from the Internal Revenue Service confirming that this treatment of ADFIT is consistent with, and does not violate, the normalization accounting rules of Section 168(i)(9) of the Code, as amended, and Treasury Regulations Section 1.167(l)-1(h) (the Private Letter Ruling). If a favorable Private Letter Ruling is not obtained, then the latter above-described deferred tax liability adjustments for the newly-acquired

Exhibit A - Stipulation & Settlement Agreement

assets shall be reversed, and Joint Applicants will be authorized to capture the difference and record on their respective books a recoverable regulatory asset in the dollar amount that has been under-recovered as a result of the treatment of ADFIT. For Sharyland, the recoverable regulatory asset will be recorded for the period beginning on the date Sharyland's WTS rates approved in accordance with subsection d above became effective and end on the date that new rates are adopted for Sharyland reflecting the reversal of such deferred tax liability. For Oncor, the recoverable regulatory asset will be recorded for the period beginning on the date that Oncor's existing rates became effective and ending on the date that new rates are adopted for Oncor reflecting the reversal of such deferred tax liability. Oncor's rates and Sharyland's rates will be adjusted accordingly in future rate proceedings.

- h. All capital investment in the assets transferred between the Joint Applicants was prudently incurred and should be included in rate base.
- i. Oncor's recovery of the interim rate regulatory asset related to Sharyland's residential interim rates approved in Docket No. 45414 should be approved.
- j. Oncor should be allowed to incorporate Sharyland's Energy Efficiency Cost Recovery Factor (EECRF) and Transmission Cost Recovery Factor (TCRF) regulatory assets or liabilities into Oncor's EECRF and TCRF, respectively.
- k. Sharyland is relieved from all reporting obligations related to the operation of the assets transferred from SDTS with respect to reports that are due on or after the Proposed Transaction closes, including, but not limited to, annual System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) reports.
- l. While Oncor is committed to improving service in the legacy Sharyland service area, it will take a period of time for Oncor to evaluate, determine the needs of the system, and execute upon reliability improvement measures. Therefore, for the first ten full years after closing of the Proposed Transaction, all Commission reliability and continuity of service reporting under 16 TAC §§ 25.52 and 25.81 will be reported separately for the current Oncor service territory and the legacy Sharyland service territory. For this ten-year period, Oncor will not be subject to enforcement action or penalty for the performance of the legacy Sharyland service territory. During this ten-year separate reporting period, Oncor and the Commission will together develop

Exhibit A - Stipulation & Settlement Agreement

an appropriate process for integrated reporting for the two distribution systems going forward after the separate reporting period.

- m. Oncor may deploy an advanced metering system (AMS) in Sharyland's current service territories. Oncor will submit a compliance filing outlining a schedule for AMS deployment, by geographic division, within a reasonable time following approval of the Stipulation. Oncor expects to complete AMS deployment (including meter provisioning and Lode Star Enhanced file submittals) in the legacy Sharyland service territories by December 31, 2018.
- n. Through December 31, 2019, Oncor shall continue to own and maintain those limited distribution lines that are on the customer's side of an existing meter at existing locations. After December 31, 2019, the customers who are served by those distribution lines will own and be responsible for maintaining those lines.
- o. Any customer in the area currently served by Sharyland who requests new service after the Proposed Transaction closes will be required to have its pole set in accordance with Oncor's policy and practice regarding poles and associated equipment. Current customers of Sharyland who become customers of Oncor as a result of the Proposed Transaction will not be required to set their own service poles at the time of their transition to Oncor. However, if those customers' service poles break or are damaged in the future, the customer will be required to have its pole set in accordance with Oncor's policy and practice.
- p. As a condition to closing the Proposed Transaction, the dismissal of Docket No. 45414 must be on terms that are identical in all material respects to the Joint Unanimous Motion to Dismiss and the Unanimous Stipulation Regarding Dismissal of Docket No. 45414 filed in Docket No. 45414.
- q. As a condition to closing the Proposed Transaction, the issuance of a final order approving the settlement of Oncor's base rate case in Docket No. 46957 must be on terms that are identical in all material respects to the terms of the Stipulation filed in Docket No. 46957.
- r. Oncor will establish a corresponding new ESID for each existing ESID currently assigned to Sharyland according to the plan established pursuant to the requirements of subsection t. Each new Oncor ESID will be assigned to the corresponding Oncor

Exhibit A - Stipulation & Settlement Agreement

rate class under the applicable tariff provision. Oncor shall provide reasonable notice to the customer's REP of Record as to the assigned rate class for each ESID.

- s. The Proposed Transaction and subsequent establishment of new ESIDs for each customer will not, by itself, be deemed as an enrollment in a new retail electric product and will not require authorization disclosures or verification requirements for the REP of Record.
- t. Joint Applicants shall engage Staff, OPUC, ERCOT, affected customers, and affected REPs serving customers in Sharyland's service territories to hold a series of workshops and market calls to plan and coordinate the transition of Sharyland's current retail electric delivery customers to Oncor pursuant to any applicable ERCOT Protocols, Guides, and Other Binding Documents. Joint Applicants shall engage participants in the workshop(s) to develop reasonable timelines for all aspects of the transition. The parties shall endeavor to complete the transition within sixty (60) days of the closing of the Proposed Transaction.
- u. All of Sharyland's current retail electric delivery ESIDs will be transitioned to Oncor on a scheduled meter read date for each ESID pursuant to the plan developed under subsection t, and thereafter will be served by Oncor and be charged Oncor's standard retail electric delivery rates.
- v. Joint Applicants shall provide affected REPs serving customers in Sharyland's service territories with reasonable advance notice of each of: the anticipated closing date of the Proposed Transaction; any meetings of the workshop participants held pursuant to subsection t; and the date that ESID transitions will begin.

Basis for Relief

- 29. The Proposed Transaction will provide substantial rate relief to Sharyland's current retail electric delivery customers in the SBC divisions. The Proposed Transaction will also allow Sharyland's current retail electric delivery customers in the McAllen division to avoid a significant rate increase.
- 30. The Proposed Transaction, coupled with the terms of the Stipulation, will not adversely affect Sharyland's wholesale electric delivery rates or Oncor's wholesale or retail electric delivery rates.
- 31. The Proposed Transaction, coupled with the terms of the Stipulation, is consistent with the public interest pursuant to PURA §§ 14.101, 39.262(l)–(m), and 39.915.

Exhibit A - Stipulation & Settlement Agreement

32. The Proposed Transaction will not materially affect the health or safety of customers or employees or result in a decline in service. Oncor has a widely-recognized record of providing reliable service and is highly qualified to provide safe and reliable service to Sharyland's current retail electric delivery customers. Sharyland has been providing transmission service for many years and is fully qualified to operate and maintain the transmission assets transferred from Oncor.
33. The Proposed Transaction will not result in the transfer of jobs from citizens of Texas to workers outside the state because Sharyland and Oncor operate exclusively within Texas.
34. The Proposed Transaction will not adversely affect Joint Applicants' reliability of service, availability of service, or cost of service.
35. Oncor currently operates the largest transmission and distribution system in the state and one of the largest in the country. Oncor has a reputation of providing high quality service to millions of Texans and can clearly provide adequate service.
36. Sharyland has provided safe and reliable transmission service within ERCOT since 2000 and has received Commission approval to build, acquire, operate and maintain several transmission facilities within the last several years. Sharyland is fully capable of providing adequate service to wholesale transmission customers.

II. Conclusions of Law

1. Sharyland and Oncor are electric utilities as that term is defined in PURA § 31.002.
2. The Commission has jurisdiction and authority over this proceeding pursuant to PURA §§ 14.101, 35.004, 37.154, 39.262, and 39.915.
3. Joint Applicants provided proper and adequate notice of the Joint Report and Application consistent with 16 TAC § 22.55.
4. The Stipulation reached by the Signatories resolves all issues pending in this docket.
5. The Joint Report and Application may be approved without a hearing pursuant to § 2001.056 of the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001-.902 (West 2016 & Supp. 2017).
6. The Proposed Transaction is governed by PURA §§ 14.101, 37.154, 39.262, and 39.915.
7. The Proposed Transaction and the provisions of the Stipulation are consistent with the public interest within the meaning of PURA §§ 14.101, 39.262, and 39.915 and otherwise satisfy the applicable requirements of those sections.

Exhibit A - Stipulation & Settlement Agreement

8. Sharyland and Oncor have shown that they have the ability to provide adequate service pursuant to PURA § 37.154.
9. The transfer to Oncor of all of Sharyland's rights under its CCNs to provide retail electric delivery service (transmission and distribution voltage) in the geographic areas currently certificated to Sharyland, including the right to construct facilities necessary to interconnect retail customers, including new load-serving substations (on terms to be more definitely set forth in the interconnection agreement between Joint Applicants), meets the requirements of PURA § 37.154.
10. All capital investment in the assets transferred between the Joint Applicants was prudently incurred.
11. Pursuant to 16 TAC § 22.35, the requirements of an informal disposition have been met in this proceeding.

III. Ordering Paragraphs

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

1. Consistent with the Stipulation, the Proposed Transaction is in the public interest pursuant to PURA §§ 14.101, 39.262(l)–(m), and 39.915, and the Joint Report and Application is approved.
2. The Commission approves of the transfer to Oncor of all of Sharyland's rights under its CCNs to provide retail electric delivery service (transmission and distribution voltage) in the geographic areas currently certificated to Sharyland, including the right to construct facilities necessary to interconnect retail customers, including new load-serving substations (on terms to be more definitively set forth in the interconnection agreement between Joint Applicants).
3. Sharyland's CCNs are amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor.
4. Sharyland shall file a revised WTS tariff as a compliance filing prior to the closing of the Proposed Transaction. Sharyland may begin charging wholesale customers under the revised WTS tariff upon the closing of the Proposed Transaction.

Exhibit A - Stipulation & Settlement Agreement

5. The Commission approves Sharyland's request to recover actual transition costs associated with the Proposed Transaction in an amount not to exceed \$17 million through a rider to its WTS tariff. The rider shall remain in effect for a period of two (2) years.
6. Joint Applicants' shall adjust their respective rate bases to reflect the impacts of the Proposed Transaction, including for impacts of the Proposed Transaction related to ADFIT.
7. Upon closing of the Proposed Transaction, each of Oncor and SDTS shall remove or eliminate the ADFIT attributable to the assets each is dispensing of and book a deferred tax liability (resulting in an effective reduction of their rate bases) under Accounting Standards Codification 740 (FAS 109) (or similar GAAP) to account for the difference in initial GAAP and the federal tax bases of SDTS's and Oncor's newly acquired assets, respectively. Oncor and SDTS shall use commercially reasonable efforts to procure the Private Letter Ruling. If a favorable Private Letter Ruling is not obtained, then the latter above-described deferred tax liability adjustments for the newly-acquired assets shall be reversed, and Joint Applicants will be authorized to capture the difference and record on their respective books a recoverable regulatory asset in the dollar amount that has been under-recovered as a result of the treatment of ADFIT. For Sharyland, the recoverable regulatory asset will be recorded for the period beginning on the date Sharyland's revised WTS rate becomes effective and end on the date that new rates are adopted for Sharyland reflecting the reversal of such deferred tax liability. For Oncor, the recoverable regulatory asset will be recorded for the period beginning on the date that Oncor's existing rates became effective and ending on the date that new rates are adopted for Oncor reflecting the reversal of such deferred tax liability. Oncor's rates and Sharyland's rates will be adjusted accordingly in future rate proceedings.
8. The Commission approves Oncor's recovery of the interim rate regulatory asset related to Sharyland's residential interim rates approved in Docket No. 45414.
9. The Commission approves the incorporation of Sharyland's EECRF and TCRF regulatory assets or liabilities into Oncor's EECRF and TCRF, respectively.
10. Sharyland is relieved from all reporting obligations related to the operation of the assets transferred from SDTS with respect to reports that are due on or after the date the Proposed Transaction closes, including, but not limited to, annual SAIDI and SAIFI reports.

Exhibit A - Stipulation & Settlement Agreement

11. For the first ten full years after closing of the Proposed Transaction, all Commission reliability and continuity of service reporting under 16 TAC §§ 25.52 and 25.81 will be reported separately for the current Oncor service territory and the legacy Sharyland service territory. For this ten-year period, Oncor will not be subject to enforcement action or penalty for the performance of the legacy Sharyland service territory. During this ten-year separate reporting period, Oncor and the Commission will together develop an appropriate process for integrated reporting for the two distribution systems going forward after the separate reporting period.
12. The Commission approves Oncor's deployment of AMS in Sharyland's current service territories. Oncor shall submit a compliance filing outlining a schedule for AMS deployment, by geographic division, within a reasonable time following the date of this Order.
13. Through December 31, 2019, Oncor shall continue to own and maintain those limited distribution lines that are on the customer's side of an existing meter at existing locations and are currently operated and maintained by Sharyland. After December 31, 2019, the customers who are served by those distribution lines will own and be responsible for maintaining those lines.
14. Joint Applicants shall hold a series of workshops and market calls to plan and coordinate the transition of Sharyland's current retail electric delivery customers to Oncor pursuant to any applicable ERCOT Protocols, Guides, and Other Binding Documents.
15. All of Sharyland's current retail electric delivery ESIDs shall be transitioned to Oncor on a scheduled meter read date for each ESID pursuant to the plan developed under Ordering Paragraph No. 14, and thereafter will be served by Oncor and be charged Oncor's standard retail electric delivery rates. Joint Applicants shall provide affected REPs serving customers in Sharyland's service territories with reasonable advance notice of each of: the anticipated closing date of the Proposed Transaction; any meetings of the workshop participants held; and the date that ESID transitions will begin.
16. Sharyland is granted a waiver of any requirements in the ERCOT Retail Market Guide that require Sharyland to maintain the ability to process cancel/rebills through a Customer Information System or Electronic Data Interchange market interfaces. Sharyland will, however, maintain financial responsibility for cancel/rebill amounts that are required to be paid for the period prior to the time that retail electric delivery customers are

Exhibit A - Stipulation & Settlement Agreement

transitioned to Oncor. Sharyland will work with REPs, ERCOT, and retail electric delivery customers through the series of workshops discussed above to develop procedures to appropriately process such cancel/rebill amounts, as well as any associated resettlement of the ERCOT market.

17. Sharyland is exempted from the Fall 2017 ERCOT flight test with the REPs.
18. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Stipulation. Entry of this Order should not be regarded as precedent as to the appropriateness of any principle or methodology underlying the Stipulation, except for the purpose of enforcing the Stipulation or this Order in any future proceeding.
19. All other motions or requests for entry of specific findings of fact and conclusions of law, and other requests for general or specific relief not expressly granted herein, are denied.

Exhibit A - Stipulation & Settlement Agreement

SIGNED AT AUSTIN, TEXAS on the _____ day of _____ 2017.

PUBLIC UTILITY COMMISSION OF TEXAS

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER

Exhibit B – Application for Sale, Transfer, or Merger

PUBLIC UTILITY COMMISSION OF TEXAS
1701 N. CONGRESS AVENUE
AUSTIN, TEXAS 78701
(512) 936 - 7000

APPLICATION FOR SALE, TRANSFER, OR MERGER

This form should be used by public utilities for:

- 1) seeking authority to sell, assign, or lease a Certificate of Convenience and Necessity or any rights obtained under a certificate;
- 2) reporting the sale, acquisition, lease, or rental by or to any public utility of any plant as an operating system or unit for a total consideration in excess of \$10,000,000;
- 3) reporting the merger or consolidation of two or more public utilities; and
- 4) reporting the purchase by one public utility of voting stock in another public utility.

See Sections 14.101, 37.154, 39.262(l)-(m), and 39.915 of the Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2016 and Supp. 2017) (PURA).

1. Proposed action or subject of report:

- ☐ Sale, transfer, or lease of an entire Certificate of Convenience and Necessity
- ☒ Sale, transfer, or lease of a portion of Applicant's service area or facilities to which it is certificated (including certificate rights)
- ☒ Sale, transfer, or lease of a utility plant as an operating system or unit for more than \$10,000,000 (including certificate rights)
- ☐ Merger or consolidation of public utilities
- ☐ Purchase by a public utility of voting stock in another public utility
- ☒ Other

Sharyland Utilities, L.P. ("Sharyland"), Sharyland Distribution & Transmission Services, L.L.C. ("SDTS"), and Oncor Electric Delivery Company LLC ("Oncor") (collectively, "Joint Applicants") have entered into an Agreement and Plan of Merger ("Merger Agreement"), pursuant to which, SDTS and Oncor will exchange certain assets with each other, and Oncor will purchase certain associated property from Sharyland, resulting in all of Sharyland's existing retail electric delivery customers becoming Oncor's retail electric delivery customers and Sharyland serving only as a transmission service provider ("TSP") (the "Proposed Transaction"). After a short customer transition period following

Exhibit B – Application for Sale, Transfer, or Merger

closing of the Proposed Transaction, Sharyland will no longer provide retail electric delivery service. The Proposed Transaction contemplates that Sharyland/SDTS will transfer to Oncor substantially all of the property and other assets used in Sharyland's retail electric distribution business, as well as the transmission assets in the Brady and Celeste divisions, in exchange for certain transmission assets from Oncor including (a) approximately 60 miles of the western-most portion of the 345 kV transmission line from Clear Crossing to Willow Creek; (b) approximately 12 miles of the western-most portion of the 345 kV transmission line from Bowman to Riley; (c) approximately 13 miles of the western-most portion of the 345 kV transmission line from Riley to Krum West; (d) the 345 kV transmission line from Bluff Creek to Brown; and (e) approximately 85 miles of the western-most portion of the 345 kV transmission lines from Brown to Newton. If the net book value of certain of the assets to be transferred to Oncor exceeds \$390 million, the Brown Static VAR Compensator will be included in the assets and the mileage of the transmission lines to be transferred to SDTS will be reduced on a tower-by-tower basis accordingly. The Proposed Transaction primarily involves the exchange of like-kind assets as that term is defined in Section 1031 of the Internal Revenue Code. Oncor will also provide a cash payment to SDTS of approximately \$20 million, which is the estimated value of the assets being transferred by SDTS that are not expected to qualify for like-kind treatment and a cash payment to Sharyland of approximately \$6.5 million, which is the estimated value of the assets that Sharyland is transferring to Oncor.

To effectuate the Proposed Transaction, each of the parties have formed new limited liability companies – SDTS AssetCo, L.L.C. ("SDTS AssetCo"), SU AssetCo, L.L.C. ("SU AssetCo"), and Oncor AssetCo LLC ("Oncor AssetCo") – and will transfer the applicable assets and liabilities to such companies prior to closing. The value of the parties' respective assets will be determined based on the net book value of such assets as of the date of closing. At closing, SU AssetCo and SDTS AssetCo will merge with and into Oncor, with Oncor as the surviving entity, and Oncor AssetCo will merge with and into SDTS, with SDTS as the surviving entity. In addition to the assets held by Oncor AssetCo, Oncor will pay approximately \$20 million in cash to SDTS, which represents an approximation of the value of the SDTS AssetCo assets that are not expected to qualify for like-kind treatment. Oncor will pay cash to Sharyland as consideration for its acquisition of SU AssetCo. In each case, the sum of the net book value of the Oncor Assets and the cash payments will be equal in value to the assets transferred to Oncor from Sharyland and SDTS.

As a result of the Proposed Transaction, Sharyland will serve only as a transmission service provider, serving wholesale customers through its wholesale transmission service ("WTS") tariff and its wholesale distribution substation services ("WDSS") tariff. Sharyland will no longer serve retail electric delivery customers and Sharyland's current retail electric delivery customers will be served by Oncor after a short customer transition period following the close of the Proposed Transaction. The Proposed Transaction will provide significant rate relief to Sharyland's current retail electric delivery customers in the SBC

Exhibit B – Application for Sale, Transfer, or Merger

divisions, and allow the retail electric delivery customers in the McAllen division to avoid a significant rate increase.

The Proposed Transaction contemplates that Sharyland will transfer all of its rights under its CCNs to provide retail electric delivery service (transmission and distribution voltage) in the geographic areas currently certificated to it, including the right to construct facilities necessary to interconnect retail customers, to Oncor. However, Sharyland will retain limited CCN rights necessary to continue to provide retail electric delivery service to its current customers through the post-closing customer transition period until such customers become Oncor's customers. The Proposed Transaction also contemplates an amendment to Sharyland's CCNs to permit Sharyland to operate and maintain the transmission assets transferred from Oncor.

The Joint Report and Application and Joint Applicants' supporting testimony contain further details regarding the Proposed Transaction.

List all counties in which the utility's service area will be affected by this transaction:

The Proposed Transaction will affect Sharyland's current retail service areas, as those areas will be served by Oncor following the closing of the Proposed Transaction. The Texas counties currently served by Sharyland are listed in Attachment A.

The Proposed Transaction will not affect Oncor's current service area. The Texas counties currently served by Oncor are listed in Attachment A.

2. Applicants: **Sharyland, SDTS, and Oncor.**

Mark one:

 X Oncor holds Certificate of Convenience and Necessity Nos. **30158, 30160, 30043, and 30152.** Sharyland holds Certificate of Convenience and Necessity Nos. **30026, 30114, 30191, and 30192.**

 None of the Applicants hold a certificate from the Public Utility Commission.

The Applicants are the:

 X Seller (transferor or lessor)

 X Purchaser (transferee or lessor)

 One of the merging or consolidating utilities

 X Other (please explain)

Exhibit B – Application for Sale, Transfer, or Merger

Please refer to the response to Question No. 1 above.

Business

Addresses: **Sharyland Utilities, L.P.**
1807 Ross Avenue, Suite 460
Dallas, Texas 75201

Sharyland Distribution & Transmission Services, L.L.C.
1807 Ross Avenue, 4th Floor
Dallas, Texas 75201

Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202

3. Applicants are **Sharyland (a Texas limited partnership)**
SDTS (a Texas limited liability company)
Oncor (a Delaware limited liability company).
4. If applicable, list the names, addresses, and offices of all partners or all officers of Applicants:

Partners of Sharyland:

Shary Holdings, L.L.C.	General Partner	1900 North Akard Street Dallas, Texas 75201
SU Investment Partners	Limited Partner	1900 North Akard Street Dallas, Texas 75201

Officers of SDTS:

David A. Campbell	President and Chief Executive Officer	1807 Ross Avenue Dallas, Texas 75201
Brant Meleski	Senior Vice President and Chief Financial Officer	1807 Ross Avenue Dallas, Texas 75201
Stacey Doré	Senior Vice President and General Counsel	1807 Ross Avenue Dallas, Texas 75201
Greg Imhoff	Vice President, General Tax Counsel, and Corporate Secretary	1807 Ross Avenue Dallas, Texas 75201
Lance Phillips	Vice President, Controller,	1807 Ross Avenue

Exhibit B – Application for Sale, Transfer, or Merger

	and Principal Accounting Officer	Dallas, Texas 75201
Kristin Boyd	Vice President of Finance and Treasurer	1807 Ross Avenue Dallas, Texas 75201
Chris McBay	Vice President and Assistant General Counsel	1807 Ross Avenue Dallas, Texas 75201
Geoff Ley	Vice President of Financial Planning and Analysis	1807 Ross Avenue Dallas, Texas 75201
Ralph G. Goodlet, Jr.	Senior Vice President - Regulatory	1807 Ross Avenue Dallas, Texas 75201
Greg Boggs	Senior Vice President - Operations	1807 Ross Avenue Dallas, Texas 75201

Officers of Oncor:

Robert S. Shapard	Chief Executive Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
W. Mark Carpenter	Senior Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Don J. Clevenger	Senior Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
David M. Davis	Senior Vice President and Chief Financial Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Deborah L. Dennis	Senior Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
James A. Greer	Senior Vice President and Chief Operating Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Michael E. Guyton	Senior Vice President and Chief Customer Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
E. Allen Nye, Jr.	Senior Vice President, General Counsel & Secretary	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Joel S. Austin	Vice President and Chief Information Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
T. Michael Quinn	Vice President and Chief Technology Officer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Richard Casarez	Vice President	115 West 7th Street, Fort Worth, Texas 76102
Charles W. Elk	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Leslie Keith Hull	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202

Exhibit B – Application for Sale, Transfer, or Merger

Wesley R. Speed	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Autry L. Warren	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Angela Y. Guillory	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Ellen E. Buck	Vice President	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Walter E. Jordan	Vice President - Governmental Affairs	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Paul T. McKaig	Vice President - Regulatory Affairs	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Stephen N. Ragland	Vice President - Regulatory	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
John C. Stewart	Vice President and Associate General Counsel - Litigation	115 West 7th Street, Fort Worth, Texas 76102
Sarah W. Soong	Treasurer	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Jennifer M. Lee-Sethi	Assistant Secretary	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Richard C. Hays	Controller	1616 Woodall Rodgers Fwy, Dallas, Texas 75202

5. If applicable, list the names, addresses, and positions of Applicants' five largest shareholders.

Sharyland:

Sharyland is a partnership. Its partners are:

Shary Holdings, L.L.C.	General Partner	1900 North Akard Street Dallas, Texas 75201
SU Investment Partners	Limited Partner	1900 North Akard Street Dallas, Texas 75201

SDTS:

SDTS is a limited liability company. Its members are:

Sharyland Utilities, L.P.	Member	1807 Ross Avenue Dallas, Texas 75201
Transmission and Distribution Company LLC	Member	1807 Ross Avenue Dallas, Texas 75201

Oncor:

Oncor is a limited liability company. Its members are:

Exhibit B – Application for Sale, Transfer, or Merger

Oncor Electric Delivery Holdings Company LLC	Member	1616 Woodall Rodgers Fwy, Dallas, Texas 75202
Texas Transmission Investment LLC	Member	1105 North Market Street, Suite 1300, Wilmington, Delaware 19801
Oncor Management Investment LLC	Member	c/o Oncor Electric Delivery Company LLC, 1616 Woodall Rodgers Fwy, Dallas, Texas 75202, Attn: Legal Department

6. Applicants designate the following persons to be contacted with respect to any questions regarding the filing:

Sharyland & SDTS

Lino Mendiola III

State Bar No. 00791248

Jeffrey B. Stuart

State Bar No. 24066160

Eversheds Sutherland (US) LLP

600 Congress Avenue, Suite 2000

Austin, Texas 78701

512-721-2700

linomendiola@eversheds-sutherland.com

jeffreystuart@eversheds-sutherland.com

Oncor

Matthew C. Henry

State Bar No. 00790870

Tab R. Urbantke

State Bar No. 24034717

Vinson & Elkins LLP

2001 Ross Avenue, Suite 3700

Dallas, Texas 75201

214-220-7726

mhenry@velaw.com

turbantke@velaw.com

7. If Applicants are represented by an attorney:

<u>Sharyland & SDTS</u>	<u>Oncor</u>
Lino Mendiola III	Matthew C. Henry
Jeffrey B. Stuart	Tab R. Urbantke
Eversheds Sutherland (US) LLP	Vinson & Elkins LLP
600 Congress Avenue, Suite 2000	2001 Ross Avenue, Suite 3700
Austin, Texas 78701	Dallas, Texas 75201
512-721-2700	214-220-7700
linomendiola@eversheds-sutherland.com	mhenry@velaw.com
jeffreystuart@eversheds-sutherland.com	turbantke@velaw.com

8. Do Applicants presently have a tariff on file with the Commission?

 X Yes.

If yes, date of filing: **Oncor's base tariffs were approved by the Commission on August 26, 2011 in Docket No. 38929. Oncor's base tariffs have been amended from time to time, with Oncor's current Tariff for Retail Electric Delivery Service having been approved effective March 1, 2017, and Oncor's current Tariff for Transmission Service having been approved effective March 27,**

Exhibit B – Application for Sale, Transfer, or Merger

2017. Proposed revised tariffs are currently before the Commission for its consideration in Oncor's pending rate case, Docket No. 46957. Sharyland's retail tariff for the SBC divisions was approved by the Commission in Docket No. 41474. Sharyland's retail tariff for the McAllen division was approved in Docket No. 42071. Sharyland's Wholesale Transmission Service tariff was last approved in Docket No. 46881.

____ No. If no, attach a written schedule of present rates and services.

9. Please indicate the proposed effect of this transaction on rates to be charged affected customers:

____ All customers will be charged the same rates as they were charged before the transaction.

X Some customers will be charged different rates than they were charged before the transaction. If so, please explain.

The Proposed Transaction will provide substantial rate relief to Sharyland's current retail electric delivery customers in the SBC divisions. In addition, Sharyland's retail electric delivery customers in the McAllen division will benefit from the Proposed Transaction because they will avoid experiencing the significant rate shock that would occur as a result of the cost-based rates that the final order in Docket No. 41474 requires to be proposed.

As indicated, after a short transition period after closing, Sharyland will no longer serve retail electric delivery customers and will serve only wholesale transmission customers. With SDTS receiving additional transmission assets from Oncor through the Proposed Transaction, Sharyland seeks the Commission's approval of a revision to its WTS rate. Simultaneously, Oncor's WTS rate will be adjusted to reflect removal of these transmission assets in the Stipulation in Docket No. 46957. For this reason, the effect on the ERCOT transmission cost of service ("TCOS") will be minimal.

The Joint Report and Application and Joint Applicants' supporting testimony contain further details regarding the Proposed Transaction and the applicable rates. See the direct testimony of James W. Daniel for a discussion of the revisions to Sharyland's WTS rate.

____ Applicant intends to file with the Commission an application to change rates of (some) (all) of its customers as a result of this transaction. If so, please explain.

____ Other: Please explain.

10. Other party or parties to this transaction: N/A

Exhibit B – Application for Sale, Transfer, or Merger

_____ The other party holds Certificate of Convenience and Necessity No.

_____ The other party does not hold a Certificate of Convenience and Necessity.

The other party is the:

_____ Seller (transferor or lessor)

_____ Purchaser (transferee or lessee)

_____ One of the merging or consolidating utilities

_____ Other:

Business
Address

Telephone

If there are more than two parties to this transaction, please attach sheets providing the information required in Question No. 9 through 16 for each party.

11. Other parties are N/A
12. If applicable, list the names, addresses and office of all partners or all officers of the other parties. N/A
13. If applicable, list the names and addresses of the other party's five (5) largest shareholders. N/A
14. The other party designates the following person(s) to be contacted with respect to any question regarding the filing. N/A
15. If the other party has retained an engineer: N/A

The Public Utility Commission should be informed of any change of engineer prior to the completion of a project in process.

16. If the other party is represented by an attorney: N/A
17. List all neighboring utilities, cities, political subdivisions, or other parties directly affected by this application.

Parties potentially affected by the Proposed Transaction include: (1) all counties and municipalities in which the transferred assets are located; (2) all entities listed in the Commission's wholesale transmission matrix; (3) all retail electric providers serving customers in Sharyland's and Oncor's service territories; and (4) all neighboring utilities and electric cooperatives. See Attachment A for a list of counties and municipalities served by Sharyland and/or Oncor and a list of the electric cooperatives

Exhibit B – Application for Sale, Transfer, or Merger

and municipal utilities that have dual certification in Sharyland's and/or Oncor's service territory.

18. Please describe the nature of the transaction. Indicate if it involves the transfer of certificated facilities and/or service area.

Please see the response to Question No. 1. As stated, Sharyland seeks to transfer all of rights to provide retail electric delivery service (transmission and distribution voltage) in the geographic areas currently certificated to it under its CCNs to Oncor. Sharyland also seeks an amendment to its CCNs to permit it to operate and maintain the transmission assets transferred from Oncor as contemplated in the Proposed Transaction.

19. If the transaction involves the transfer of certificated facilities and/or service area please describe the qualifications of the purchaser (or transferee) to provide adequate utility service.

Oncor currently operates the largest transmission and distribution system in the State of Texas and has a reputation of providing safe and reliable service. Oncor is clearly capable of providing adequate utility service to Sharyland's current retail electric delivery customers.

Since 2000, Sharyland has consistently provided safe and reliable transmission service within ERCOT and has received Commission approvals to build, acquire, operate, and maintain numerous transmission facilities. Sharyland is clearly capable of providing adequate service to wholesale transmission customers.

Please also see the direct testimonies of Ralph G. Goodlet, Jr., James A. Greer, and W. Mark Carpenter.

20. State the purchase price and/or the other consideration for the transaction:

Please see the Joint Report and Application and the direct testimonies of David A. Campbell, Ralph G. Goodlet, Jr., James A. Greer, and R. Keith Pruett.

21. If applicable, state the original cost of plant to be sold or merged, as recorded on the Seller's books (or merging companies): **Please see the direct testimonies of D. Greg Wilks and R. Keith Pruett.**

22. If applicable, state the amount of accumulated depreciation and the date of acquisition: \$ _____ as of _____, 20__ **Please see the direct testimonies of D. Greg Wilks and R. Keith Pruett.**

23. If applicable, state the amount recorded as plant acquisition adjustment on books of selling company(ies): \$ _____. **Please see the direct testimonies of D. Greg Wilks and R. Keith Pruett.**

24. Complete the following proposed entries in purchasing or surviving company's books to record the purchase (or merger): **Please see the direct testimonies of D. Greg Wilks and**

Exhibit B – Application for Sale, Transfer, or Merger

R. Keith Pruett.

Utility plant in service

Plant acquisition adjustment

Extraordinary loss on purchase

Accumulated depreciation plant

Cash

Notes payable

Mortgage payable

Other list

25. If a utility plant in service is traded for another utility plant in service, provide the details of the original cost - accumulated depreciation, and reasons for, or justification of the trade: **Please see the response to Question No. 1 and No. 24.**

26. Provide analysis of the transaction's tax consequences and recognition given in the books to the parties concerned:

Please see the direct testimony of Salvatore P. Montalbano. The Proposed Transaction is structured for tax purposes as a like-kind exchange, and, thus, is expected to qualify for deferred tax treatment, with the exception of the cash payment from Oncor and certain other non-eligible assets. Upon closing of the Proposed Transaction, each of Oncor, Sharyland, and SDTS plan to remove or eliminate the accumulated deferred federal income taxes ("ADFIT") attributable to the assets each is dispensing of. In addition, Oncor and SDTS will and book a deferred tax liability related to the book and tax basis difference in the assets being acquired, resulting in an effective reduction of their rate bases. Oncor and SDTS will use commercially reasonable efforts to procure a private letter ruling from the Internal Revenue Service approving this treatment of ADFIT. In the event that a favorable private letter ruling is not obtained, Oncor and SDTS are asking the Commission in the current proceeding to approve Oncor's and SDTS's proposal to reverse the above-described ADFIT related to the acquired assets and record on their respective books a recoverable regulatory asset in the dollar amount that has been under-recovered as a result of the treatment of ADFIT.

27. Describe the type of plant facilities and the number of connections affected by this application: **Please see the response to Question No. 1 and the direct testimonies of David A. Campbell, Ralph G. Goodlet, Jr., Mark D. Meyer, James A. Greer, and W. Mark Carpenter.**
28. Describe the location of the plant facilities involved in this application with respect to streets,

Exhibit B – Application for Sale, Transfer, or Merger

highways, cities, known landmarks, water courses, coordinates of transmitter sites, etc.:
Please see Exhibit DAC-1 to the direct testimony of David A. Campbell.

29. Regarding the utility being sold, provide details of the following: N/A
- a. Planned or needed capital improvements;
 - b. Estimated cost of such improvements;
 - c. Whether required to make such improvements by a federal or state agency;
 - d. Any time limits imposed for such improvements.
30. Please describe anticipated impact of this transaction on the quality of utility service. Please explain anticipated changes in quality of service.

Joint Applicants do not anticipate any impacts on the quality of utility service as a result of this Proposed Transaction.

31. If a merger or combination is sought by this application, please provide the following:
- a. A balance sheet for each entity;
 - b. An income statement for each entity;
 - c. Articles of Incorporation of a newly created entity;
 - d. A preliminary prospectus if stock of a newly created entity is to be publicly held.

N/A

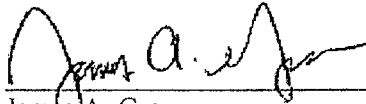
If the Affiant(s) to this form is any person other than the sole owner, partner, or officer of the applicant or its attorney, a properly verified Power of Attorney must be enclosed.

OATH

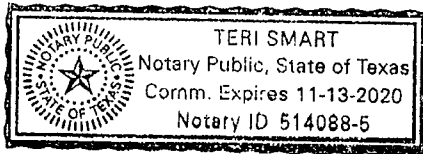
STATE OF TEXAS

COUNTY OF DALLAS

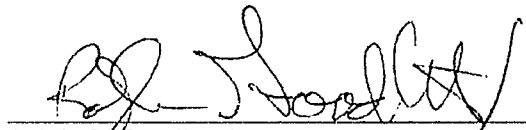
We, James A. Greer, Senior Vice President and Chief of Oncor Electric Delivery Company LLC, and Ralph G. Goodlet, Jr., Senior Vice President of Sharyland Utilities, L.P., being duly sworn and authorized as representatives of the Applicants, file this application and affirm that in such capacities, we are qualified and authorized to file and verify such application, are personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to the Applicants are true and correct. Statements about other parties are made on information and belief. We further state that the application is made in good faith, that notice of its filing was given to all necessary parties, and that this application does not duplicate any filing presently before the Commission.


James A. Greer

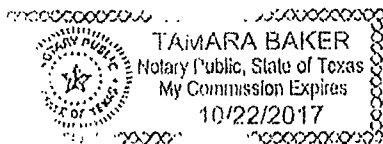
SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this 3rd day of August, 2017.




Notary Public, State of Texas


Ralph G. Goodlet, Jr.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this 3rd day of August, 2017.




Notary Public, State of Texas

Exhibit B – Application for Sale, Transfer, or Merger

Attachment A

Cities served by Sharyland Utilities, L.P.:

Brady
Celeste
Colorado City
Farmersville
Greenville
McAllen
Melvin
Midland
Mission
Richland Springs
Stanton

Counties served by Sharyland Utilities, L.P.:

Andrews
Borden
Brown
Collin
Concho
Dawson
Ector
Coleman
Fannin
Fisher
Glasscock
Hidalgo
Howard
Hunt
Irion
Martin
Mason
McCulloch
Menard
Midland
Mills
Mitchell
Nolan
Reagan
San Saba
Scurry
Sterling
Tom Green
Upton

Exhibit B – Application for Sale, Transfer, or Merger

Cities served by Oncor Electric Delivery:

Abbott	Brownsboro	Crockett
Ackerly	Brownwood	Crossroads
Addison	Bruceville-Eddy	Crowley
Aledo	Buckholts	Cumby
Allen	Buffalo	Cushing
Alma	Bullard	Dallas
Alto	Burkburnett	Dalworthington Gardens
Alvarado	Burke	Dawson
Alvord	Burleson	Dean
Andrews	Bynum	Decatur
Angus	Caddo Mills	DeLeon
Anna	Cameron	Denison
Annetta	Campbell	Denton
Annetta North	Caney City	DeSoto
Annetta South	Canton	Diboll
Annona	Carbon	Dish
Appleby	Carrollton	Dodd City
Archer City	Cashion Community	Dorchester
Argyle	Cedar Hill	Dublin
Arlington	Celina	Duncanville
Arp	Centerville	Early
Athens	Chandler	Eastland
Aurora	Chico	Ector
Austin	Chireno	Edgecliff Village
Azle	Clarksville	Edgewood
Balch Springs	Cleburne	Edom
Bangs	Coahoma	Electra
Bardwell	Cockrell Hill	Elgin
Barry	Colleyville	Elkhart
Bartlett	Collinsville	Emhouse
Bedford	Colorado City	Enchanted Oaks
Bellevue	Comanche	Ennis
Bellmead	Commerce	Euless
Bells	Como	Eureka
Belton	Cool	Eustace
Benbrook	Coolidge	Everman
Beverly Hills	Cooper	Fairfield
Big Spring	Coppell	Fairview (Collin Co.)
Blanket	Copperas Cove	Farmers Branch
Blooming Grove	Corinth	Fate
Blue Mound	Corsicana	Ferris
Bonham	Coupland	Florence
Boyd	Crandall	Flower Mound
Breckenridge	Crane	Forest Hill
Bridgeport	Cresson	Forney

Exhibit B – Application for Sale, Transfer, or Merger

Forsan	Iowa Park	Malone
Fort Worth	Irving	Manor
Frankston	Italy	Mansfield
Frisco	Itasca	Marlin
Frost	Jacksboro	Marquez
Gainesville	Jacksonville	Mart
Gallatin	Jarrell	Maypearl
Garland	Jewett	McGregor
Garrett	Jolly	McKinney
Georgetown	Josephine	McLendon-Chisholm
Gholson	Joshua	Melissa
Glenn Heights	Justin	Mertens
Godley	Kaufman	Mesquite
Golinda	Keene	Mexia
Goodlow	Keller	Midland
Gorman	Kemp	Midlothian
Graford	Kennedale	Milano
Graham	Kerens	Mildred
Grand Prairie	Killeen	Milford
Grandfalls	Knollwood	Millsap
Grandview	Krum	Mineral Wells
Granger	Lacy-Lakeview	Mobile City
Grapeland	Ladonia	Monahans
Grapevine	Lake Bridgeport	Moody
Groesbeck	Lake Dallas	Morgan's Point Resort
Gun Barrell City	Lake Worth	Mount Calm
Gunter	Lakeside	Muenster
Haltom City	Lakeside City	Murchison
Harker Heights	Lamesa	Murphy
Haslet	Lancaster	Mustang
Heath	Latexo	Nacogdoches
Hebron	Lavon	Navarro
Henrietta	Leona	Nevada
Hewitt	Leroy	New Chapel Hill
Hickory Creek	Lewisville	New Fairview
Hideaway	Lindale	New Summerfield
Highland Park	Lindsay	Newark
Hillsboro	Lipan	Neylandville
Holland	Little Elm	Nolanville
Holliday	Little River Academy	Noonday
Honey Grove	Loraine	Northlake
Howe	Lorena	North Richland Hills
Hubbard	Lott	O'Donnell
Hudson	Lovelady	Oak Grove
Hudson Oaks	Lowry Crossing	Oak Leaf
Huntington	Lucas	Oak Point
Hurst	Lufkin	Oak Valley
Hutchins	Mabank	Oakwood
Hutto	Malakoff	Odessa

Exhibit B – Application for Sale, Transfer, or Merger

Oglesby	Rockdale	Thornton
Overton	Rockwall	Thorntonville
Ovilla	Rogers	Thrall
Palestine	Roscoe	Tira
Palmer	Rosebud	Tool
Pantego	Rosser	Trinidad
Paradise	Round Rock	Trophy Club
Paris	Rowlett	Troup
Parker	Roxton	Troy
Payne Springs	Royse City	Tyler
Pecan Gap	Runaway Bay	University Park
Pecan Hill	Rusk	Valley View
Penelope	Sachse	Van
Pflugerville	Sadler	Van Alstyne
Plano	Saginaw	Venus
Pleasant Valley	Salado	Waco
Ponder	Sanctuary	Watauga
Post Oak Bend	Sansom Park Village	Waxahachie
Pottsboro	Savoy	Weatherford
Powell	Seagoville	Weir
Poynor	Shady Shores	Wells
Princeton	Sherman	West
Prosper	Snyder	Westbrook
Pyote	Southlake	Westover Hills
Quinlan	Southmayd	Westworth Village
Ranger	Springtown	Whitehouse
Ravenna	St. Paul	White Settlement
Red Oak	Stanton	Wichita Falls
Reno (Lamar Co.)	Stephenville	Wickett
Reno (Parker Co.)	Streetman	Willow Park
Retreat	Sulphur Springs	Wills Point
Rhome	Sunnyvale	Wilmer
Rice	Sweetwater	Windom
Richardson	Taylor	Wink
Richland	Teague	Wolfe City
Richland Hills	Tehuacana	Woodway
Riesel	Temple	Wortham
River Oaks	Terrell	Wylie
Roanoke	The Colony	Yantis
Robinson	Thorndale	Zavalla

Counties served by Oncor Electric Delivery:

Anderson	Fisher	Palo Pinto
Andrews	Freestone	Parker
Angelina	Gaines	Pecos
Archer	Glasscock	Rains
Bastrop	Grayson	Reagan
Baylor	Henderson	Red River

Exhibit B – Application for Sale, Transfer, or Merger

Bell	Hill	Reeves
Borden	Hood	Rockwall
Bosque	Hopkins	Rusk
Brown	Houston	Scurry
Burnet	Howard	Shackelford
Cherokee	Hunt	Smith
Clay	Jack	Stephens
Coke	Johnson	Sterling
Coleman	Kaufman	Tarrant
Collin	Kent	Terry
Comanche	Lamar	Tom Green
Cooke	Lampasas	Travis
Coryell	Leon	Trinity
Crane	Limestone	Upton
Culberson	Loving	Van Zandt
Dallas	Lynn	Ward
Dawson	Martin	Wichita
Delta	McLennan	Wilbarger
Denton	Midland	Williamson
Eastland	Milam	Winkler
Ector	Mitchell	Wise
Ellis	Montague	Wood
Erath	Nacogdoches	Young
Falls	Navarro	
Fannin	Nolan	

Electric cooperatives and municipal utilities with whom Oncor Electric Delivery is dually certified within portions of its service area:

Austin Energy
Bartlett Electric Cooperative
Big Country Electric Cooperative
Bluebonnet Electric Cooperative
Bowie Utilities
City of Bridgeport
Cherokee County Electric Cooperative
Coleman County Electric Cooperative
Comanche Electric Cooperative
Concho Valley Electric Cooperative
Cooke County Electric Cooperative
Coserv Electric
Deep East Texas Electric Cooperative
Denton Municipal Utilities
Electra Electric Department
Fannin County Electric Cooperative
City of Farmersville
Farmers Electric Cooperative
Fort Belknap Electric Cooperative

Exhibit B – Application for Sale, Transfer, or Merger

Garland Power & Light System
Georgetown Utility Systems
Grayson Collin Electric Cooperative
Greenville Electric Utility System
Heart of Texas Electric Cooperative Inc.
Hilco Electric Cooperative
Houston County Electric Cooperative
J-A-C Electric Cooperative
Jasper-Newton Electric Cooperative
Lamar County Electric Cooperative
Lyntegar Electric Cooperative
Navarro County Electric Cooperative
Navosota Valley Electric Cooperative
Pedernales Electric Cooperative
Rio Grande Electric Cooperative
Rusk County Electric Cooperative
Sam Houston Electric Cooperative
Sanger Electric Utilities
City of Seymour
Southwest Rural Electric Association
Taylor Electric Cooperative
Tri-County Electric Cooperative
Trinity-Valley Electric Cooperative
United Cooperative Services
Upshur Rural Electric Cooperative
Wise Electric Cooperative
Weatherford Municipal Utility System
Wood County Electric Cooperative

EXHIBIT C – Proposed Direct Notice

NOTICE OF APPLICATION AND RATE CHANGE REQUEST FILED WITH THE PUBLIC UTILITY COMMISSION OF TEXAS

August __, 2017

[Title/Name]
[Address]

Dear [Title/Name]:

On August 4, 2017, Sharyland Utilities, L.P. (Sharyland), Sharyland Distribution & Transmission Services, L.L.C. (SDTS), and Oncor Electric Delivery Company LLC (Oncor) (collectively Joint Applicants) filed a Joint Application for Sale, Transfer or Merger with the Public Utility Commission of Texas (PUCT or Commission), copies of which are kept at Sharyland's office at 1807 Ross Avenue, Suite 460, Dallas, TX 75201 and at Oncor's office at 1616 Woodall Rodgers Freeway, Suite 6000, Dallas, TX 75202. The Joint Application requests Commission approval of a proposed transfer of facilities between the Joint Applicants, a transfer of rights under and amendment of certificates of convenience and necessity (CCNs), and other regulatory approvals. Specifically, Sharyland/SDTS will transfer to Oncor all property and other assets used by Sharyland to provide retail electric delivery service (other than certain excluded assets) in the Stanton and McAllen divisions and all property and other assets used in Sharyland's electric transmission and distribution business (other than certain excluded assets) in the Brady and Celeste divisions, and Oncor will transfer to SDTS certain transmission assets. Joint Applicants also propose that Sharyland will transfer to Oncor the rights under Sharyland's CCNs to provide retail electric delivery service in the geographic areas currently certificated to Sharyland, and that Sharyland's CCNs be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor. After a short transition period following closing of the proposed transaction, all of Sharyland's current retail electric delivery customers will be transitioned to Oncor, and thereafter will be served by Oncor and will be charged Oncor's retail electric delivery rates, and Sharyland will serve only as a transmission service provider.

The proposed transaction also includes several regulatory conditions to closing and commitments. Included in these regulatory conditions is Commission approval of a revision to Sharyland's wholesale transmission service (WTS) rate to reflect the proposed transaction. The revised WTS rate will take effect on the date the proposed transaction closes. Sharyland estimates that its wholesale transmission revenue requirement will increase by approximately \$52.8 million (or approximately 26 percent) and estimates that its WTS rate will increase from the current annual rate of \$3.046713/kilowatt (kW) to approximately \$3.752257/kW. Sharyland also requests Commission approval of Sharyland's recovery of certain actual transition costs associated with the proposed transaction in an amount not to exceed \$17 million through a rider to Sharyland's WTS tariff. Customers that will be affected by the changes to Sharyland's WTS tariff include distribution service providers who pay wholesale transmission charges pursuant to Commission Substantive Rules. The other regulatory conditions and commitments are set forth in the Joint Application.

Persons who wish to intervene in or comment upon these proceedings should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to

EXHIBIT C – Proposed Direct Notice

intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech- impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136. The deadline for intervention in the proceeding is _____, 2017. This case has been assigned PUCT Docket No. 47469.

Sincerely,

Stephen N. Ragland
Oncor Electric Delivery Company LLC

Ralph G. Goodlet, Jr.
Sharyland Utilities, L.P. and
Sharyland Distribution &
Transmission Services, L.L.C.

EXHIBIT C – Proposed Publication Notice

NOTICE OF APPLICATION FILED WITH THE PUBLIC UTILITY COMMISSION OF TEXAS

On August 4, 2017, Sharyland Utilities, L.P. (Sharyland), Sharyland Distribution & Transmission Services, L.L.C. (SDTS), and Oncor Electric Delivery Company LLC (Oncor) (collectively Joint Applicants) filed a Joint Application for Sale, Transfer or Merger with the Public Utility Commission of Texas (PUCT or Commission), copies of which are kept at Sharyland's office at 1807 Ross Avenue, Suite 460, Dallas, TX 75201 and at Oncor's office at 1616 Woodall Rodgers Freeway, Suite 6000, Dallas, TX 75202. The Joint Application requests Commission approval of a proposed transfer of facilities between the Joint Applicants, a transfer of rights under and amendment of certificates of convenience and necessity (CCNs), and other regulatory approvals. Specifically, Sharyland/SDTS will transfer to Oncor all property and other assets used by Sharyland to provide retail electric delivery service (other than certain excluded assets) in the Stanton and McAllen divisions and all property and other assets used in Sharyland's electric transmission and distribution business (other than certain excluded assets) in the Brady and Celeste divisions, and Oncor will transfer to SDTS certain transmission assets. Joint Applicants also propose that Sharyland will transfer to Oncor the rights under Sharyland's CCNs to provide retail electric delivery service in the geographic areas currently certificated to Sharyland, and that Sharyland's CCNs be amended to permit Sharyland to operate and maintain the transmission assets transferred from Oncor. After a short transition period following closing of the proposed transaction, all of Sharyland's current retail electric delivery customers will be transitioned to Oncor, and thereafter will be served by Oncor and will be charged Oncor's retail electric delivery rates, and Sharyland will serve only as a transmission service provider.

The proposed transaction also includes several regulatory conditions to closing and commitments. Included in these regulatory conditions is Commission approval of a revision to Sharyland's wholesale transmission service (WTS) rate to reflect the proposed transaction. The revised WTS rate will take effect on the date the proposed transaction closes. Sharyland estimates that its wholesale transmission revenue requirement will increase by approximately \$52.8 million (or approximately 26 percent) and estimates that its WTS rate will increase from the current annual rate of \$3.046713 per kilowatt (kW) to approximately \$3.752257 per kW. Sharyland also requests Commission approval of Sharyland's recovery of certain actual transition costs associated with the proposed transaction in an amount not to exceed \$17 million through a rider to Sharyland's WTS tariff. Customers that will be affected by the changes to Sharyland's WTS tariff include distribution service providers who pay wholesale transmission charges pursuant to Commission Substantive Rules. The other regulatory conditions and commitments are set forth in the Joint Application.

Persons who wish to intervene in or comment upon these proceedings should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136. The deadline for intervention in the proceeding is _____, 2017. This case has been assigned PUCT Docket No. 47469.

**SHARYLAND UTILITIES, L.P., SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES,
L.L.C., AND ONCOR ELECTRIC DELIVERY COMPANY LLC**

Exhibit D – Proposed Protective Order

PUC DOCKET NO. 47469

JOINT REPORT AND APPLICATION	§	PUBLIC UTILITY COMMISSION
OF SHARYLAND UTILITIES, L.P.,	§	
SHARYLAND DISTRIBUTION &	§	
TRANSMISSION SERVICES, L.L.C.,	§	OF TEXAS
AND ONCOR ELECTRIC DELIVERY	§	
COMPANY LLC FOR TRANSFER OF	§	
FACILITIES, TRANSFER OF RIGHTS	§	
UNDER AND AMENDMENT OF	§	
CERTIFICATES OF CONVENIENCE	§	
AND NECESSITY, AND FOR OTHER	§	
REGULATORY APPROVALS	§	

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face "PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. 47469" (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials shall not include any information or document contained in the public

Exhibit D – Proposed Protective Order

files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.¹ Protected Materials also shall not include documents or information which at the time of, or prior to disclosure in, a proceeding is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see Attachment A). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the

¹ TEX. GOV’T CODE §§ 552.001-552.353.

Exhibit D – Proposed Protective Order

PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.

6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;² (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; or (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. 47469” (or words to this effect) and shall be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

² Public Utility Regulatory Act, TEX. UTIL. CODE, §§ 11.001-66.014, 32.101(c) (PURA).

7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.** Except as expressly provided herein, only one copy may be made of any Highly Sensitive Protected Materials except that additional copies may be made in order to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. The Reviewing Party shall maintain a record of all copies that are made of Highly Sensitive Protected Material and shall send a duplicate of the record to the producing party when the copy or copies are made. The record shall specify the location and the person possessing the copy. Highly Sensitive Protected Material shall be made available for inspection only at the location or locations provided by the producing party, except as specified by Paragraph 9. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a general characterization of its subject matter in a manner that does not state any substantive information contained in the document.
8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.** With the exception of Commission Staff, the Office of Public Utility Counsel (OPC), and the Office of the Attorney General (OAG) when the OAG is representing a party to the proceeding, and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are (a) outside counsel for the Reviewing Party; (b) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel; or (c) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review each Highly Sensitive Protected Materials document to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives (other than outside

Exhibit D – Proposed Protective Order

counsel) whenever possible. Reviewing Representatives for Commission Staff, OAG, and OPC, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.

9. **Copies Provided of Highly Sensitive Protected Material.** A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply to Commission Staff, OPC, and the OAG when the OAG is representing a party to the proceeding.
10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing

Exhibit D – Proposed Protective Order

party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC, and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC, and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.

12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.
13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized

Exhibit D – Proposed Protective Order

representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.

15. **Required Certification.** Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 47469. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

The Reviewing Party shall provide a copy of each signed certification to Counsel for the producing party and serve a copy upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the**

Exhibit D – Proposed Protective Order

- Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.
17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraph 9, and voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.
18. **Procedures Regarding Voluminous Protected Materials.** P.U.C. PROC. R. 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous

Exhibit D – Proposed Protective Order

room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.

19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on Attachment B of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.
21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.

22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) shall notify the party which provided the information within sufficient time so that the producing party may seek a temporary sealing order; and (b) shall otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.

Exhibit D – Proposed Protective Order

24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. 47469 at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.