

“Partner Nonrecourse Debt Minimum Gain” has the meaning assigned to the term “partner nonrecourse debt minimum gain” in Treasury Regulation section 1.704-2(i)(2).

“Partner Nonrecourse Deduction” has the meaning assigned to the term “partner nonrecourse deduction” in Treasury Regulation section 1.704-2(i)(1).

“Period” means, for the first period, the period commencing on the Effective Date and ending on the next Allocation Date. All succeeding Periods shall commence on the day after an Allocation Date and end on the next Allocation Date.

“Taxable Income” or “Taxable Loss,” as the case may be, for any relevant Period, means the taxable income or taxable loss of the Partnership for such Period, determined in accordance with Section 703(a) of the Code, including all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code.

2. Special Allocations to Capital Accounts. Prior to making any allocations pursuant to Section 5.3 for any Period, the following special allocations shall be made in the following order to the Capital Accounts of the Partners:

(a) *Minimum Gain Chargeback; Partner Minimum Gain Chargeback.* If during any relevant Period there is a net decrease in Minimum Gain, then each Partner shall be specially allocated gross income for such Period (and, if necessary, for subsequent Periods) in the manner provided in Treasury Regulations sections 1.704-2(g)(2). Likewise, if there is a net decrease during any Period in Partner Nonrecourse Debt, then any Partner with a share of the Partner Nonrecourse Debt Minimum Gain at the beginning of such Period shall be specially allocated items of gross income for such Period (and, if necessary, for subsequent Periods) in the manner provided in Treasury Regulations sections 1.704-2(i)(4) and (j). This Part 2(a) is intended to comply with, and shall be interpreted to be consistent with, the minimum gain chargeback requirements of Treasury Regulations sections 1.704-2(b)(2), 1.704-2(f) and 1.704-2(i).

(b) *Qualified Income Offset.* Notwithstanding any provision hereof the contrary except Part 2(a) of this Appendix I, if any Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), that, after tentatively taking into account all allocations that would be made for the current Period under this Agreement (other than allocations pursuant to this Part 2(b)), would cause or increase an Adjusted Capital Account Deficit for such Partner, items of Partnership income and gain will be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations under Section 704(b) of the Code, the Adjusted Capital Account Deficit as quickly as possible. This Section is intended to comply with the qualified income offset requirement in Treasury Regulations section 1.704-1(b)(2)(ii)(d) and will be interpreted consistently therewith. Allocations under this Part 2(b) will be comprised of a pro rata portion of each item of Partnership income (including gross income) and gain for the year.

(c) *Overall Limitation on Allocation of Net Losses.* Notwithstanding any other provision of this Agreement except Part 2(e) and Part 2(f) of this Appendix I, no Net Loss or other items of loss or expense will be allocated to any Partner if such allocation would cause or increase

an Adjusted Capital Account Deficit with respect to such Partner. Any Net Loss and other items of loss and expense that cannot be allocated to a Partner due to the foregoing limitation shall instead be allocated to the other Partners who would not have an Adjusted Capital Account Deficit as a result of such allocation and among such other Partners in the proportions in which Net Loss and other items of loss and expense would then otherwise be allocated between such other Partners.

(d) *Adjusted Capital Account Deficit Allocations.* In the event that any Partner has an Adjusted Capital Account Deficit at the end of any Period, such Partner shall be allocated items of Partnership gross income and gain in the amount of such deficit as quickly as possible; provided, however, that an allocation pursuant to this Part 2(d) shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Part 2 have been tentatively made as if Part 2(c) and this Part 2(d) of Appendix I were not in this Agreement.

(e) *Nonrecourse Deductions.* Nonrecourse Deductions shall be allocated to the Partners in proportion to their Percentage Interests.

(f) *Partner Nonrecourse Deductions.* Partner Nonrecourse Deductions attributable to Partner Nonrecourse Debt for any relevant Period shall be allocated to the Partner that bears the Economic Risk of Loss with respect to such Partner Nonrecourse Debt as determined under Treasury Regulation section 1.704-2(b)(4). If more than one Partner bears the Economic Risk of Loss for such Partner Nonrecourse Debt, the Partner Nonrecourse Deductions attributable to such Partner Nonrecourse Debt shall be allocated among the Partners according to the ratio in which they bear the Economic Risk of Loss. This Part 2(d) of Appendix I is intended to comply with the provisions of Treasury Regulation section 1.704-2(i) and shall be interpreted consistently therewith.

(g) *Optional Adjustment to Basis - Section 754.* To the extent an adjustment to the adjusted tax basis of any Partnership Asset pursuant to Section 734(b) of the Code (including any such adjustments pursuant to Treasury Regulation section 1.734-2(b)(1)) is required pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts as the result of a distribution to any Partner in complete liquidation of such Partner's Partnership Interest, the amount of such adjustment will be treated as an item of gain (if the adjustment increases the adjusted tax basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be allocated to the Partners in accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(m)(2) if such Treasury Regulation section applies, or to the Partner to whom such distribution was made if Treasury Regulation section 1.704-1(b)(2)(iv)(m)(4) applies.

(h) *Covered Audit Adjustments.* Items of income, gain, loss, expense or credit resulting from a Covered Audit Adjustment shall be allocated to the Partners in accordance with the applicable provisions of the Partnership Tax Audit Rules.

3. Tax Allocations, Section 704(c) of the Code.

(a) *Proportional to Net Profits or Net Losses.* Except as otherwise provided in this Part 3, for each relevant Period, each item of Partnership income, gain, deduction and loss for tax purposes shall be allocated among the Partners in the same proportion as they share the corresponding item of Net Profit, Net Loss or other item of Partnership income, gain, loss or deduction for such period under Section 5.3 and under Part 2 of this Appendix I.

(b) *Contribution of Property.* In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss, and deduction as to any property (other than cash) contributed to the capital of the Partnership shall, for tax purposes, be allocated among the Partners so as to take into account any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Gross Asset Value.

(c) *Gross Asset Value Adjustment.* If the Gross Asset Value of any Partnership asset is adjusted as the result of an adjustment described in paragraph (b) or (d) of the definition of “Gross Asset Value,” subsequent allocations of income, gain, loss, and deduction as to such asset shall, for tax purposes, be made so as to eliminate any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as pursuant to Section 704(c) of the Code and the Treasury Regulations thereunder.

(d) *Elections Under Section 704(c) of the Code.* Notwithstanding anything herein to the contrary, the General Partner will make the allocations described in subsections (b) and (c) above on a property by property basis in accordance with one of the methods provided in Treasury Regulations section 1.704-3, as selected by the General Partner with the consent of the Consent LPs.

(e) *Recapture Items.* Depreciation and amortization recapture under Sections 1245 and 1250 of the Code, as well as similar ordinary income recapture items and “unrecaptured Section 1250 gain” (within the meaning of Section 1(h)(6) of the Code), shall, to the maximum extent permissible under the Code and Treasury Regulations, be allocated to the Partners that were allocated the depreciation and amortization giving rise to such recapture amounts.

(f) *Tax Credits.* Tax credits of the Partnership shall be allocated among the Partners as provided in Treasury Regulation sections 1.704 1(b)(4)(ii) and 1.704 1(b)(4)(viii).

(g) *No Impact on Capital Accounts.* Allocations pursuant to this Part 3 are for purposes of federal, state and local income taxes only and shall not affect or in any way be taken into account in computing any Partner’s Capital Account balance or share of distributions pursuant to any provision of this Agreement.

4. Other Allocation Rules.

(a) *Transferred Partnership Interests.* All items of income, gain, loss, deduction and credit allocable to an interest in the Partnership that may have been transferred shall be allocated between the transferor and transferee based on the portion of the Fiscal Year during which each was recognized as the owner of such interest, without regard to the results of Partnership operations during any particular portion of that year and without regard to whether cash distributions were made to the transferor or transferee during that year; provided, however, that

this allocation must be made in accordance with a method permissible under Code Section 706 and the Treasury Regulations thereunder.

(b) *Excess Nonrecourse Liabilities.* Excess nonrecourse liabilities (as defined in Treasury Regulations section 1.752-3(a)(3)) of the Partnership with respect to any Partnership Asset shall be allocated among the Partners in accordance with their Percentage Interests.

(c) *Compliance with Treasury Regulations.* The definition of Capital Account set forth in Section 5.1 and the allocations set forth in Section 5.3, Part 2, Part 3 and the preceding provisions of Part 4 of Appendix I are intended to comply with the Treasury Regulations. If the General Partner reasonably determines that the determination of a Partner's Capital Account or the allocations to a Partner is not in compliance with the Treasury Regulations, the General Partner is authorized to make any reasonable appropriate adjustments.

Exhibit B
CV LLC CapEx Forecast

EXHIBIT DGW-5 (HSPM) – Page 175 of 185

This page contains information that is highly sensitive and will be provided under the terms of the Proposed Protective Order (Confidentiality Disclosure Agreement) that has been filed in this case.

Exhibit C
Tax Sharing Agreement

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT (the “Agreement”) is dated as of [•], 201[] (the “Effective Date”) and is entered into by and among Sharyland Utilities, LLC, a Delaware limited liability Company (the “Operating Company”), [Sharyland Holdings], L.P., a Delaware limited partnership (the “Partnership”), SU Investment Partners, L.P., a Texas limited partnership (“Hunt”), and Sempra Texas Utilities Holdings I, LLC, a Delaware limited liability company (“Sempra” and, together with Hunt, the “Partners”, and the Partnership, the Operating Company, Hunt and Sempra, collectively, the “Parties”).

RECITALS:

WHEREAS, as a result of certain reorganization transactions undertaken immediately prior to the effectiveness of this Agreement, (i) Hunt and entities wholly-owned by Hunt together own all of the outstanding equity interests in the Partnership, and (ii) the Partnership owns all of the outstanding equity interests in the Operating Company.

WHEREAS, the Parties intend, solely for U.S. federal income Tax purposes and for purposes of certain state and local income Tax laws that incorporate or follow U.S. federal income Tax principles, that the reorganization transactions be collectively treated as a continuation of the Operating Company under Section 708(a) of the Code in accordance with the principles of Revenue Ruling 66-264, with the Partnership being treated as the continuation of the Operating Company, such that, to the extent applicable, references to the Partnership shall include references to the Operating Company;

WHEREAS, concurrently with the execution of this Agreement and the LPA (as defined below), Sempra will acquire a 50% economic interest in the Partnership pursuant to that certain Securities Purchase Agreement, dated as of [•], 2018, by and among the Partnership, Hunt, Sempra and Sempra Energy, a California corporation (such agreement, the “SPA”);

WHEREAS, pursuant to the SPA, the Partnership will apply the “interim closing method” as of the Effective Date under Section 706 of the Code and the Treasury Regulations thereunder with respect to Sempra’s acquisition of a 50% economic interest in the Partnership;

WHEREAS, as of the day after the Effective Date, each of Hunt and Sempra will be allocated its share of the Partnership’s taxable income with respect to which each of Hunt and Sempra (or its direct or indirect owners) will be required to pay Taxes (as defined below); and

WHEREAS, the Parties desire that the Partnership should pay to each of Hunt and Sempra an amount equal to its Sharing Percentage of the Taxes the Partnership would pay if the Partnership were treated as a corporation for Tax purposes (as determined pursuant to this Agreement), in order to assist each of Hunt and Sempra (or its direct or indirect owners) in satisfying its Tax liabilities in respect of its share of the Partnership’s taxable income.

NOW, THEREFORE, in consideration of these promises and of the mutual agreements and covenants herein contained, the Parties agree as follows:

SECTION 1. Definitions. The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Agreement” has the meaning set forth in Preamble.

“Annual Tax Payment” has the meaning set forth in Section 2(a).

“Applicable Law” has the meaning set forth in the LPA.

“Applicable Tax Returns” has the meaning set forth in Section 4.

“Applicable Taxable Year” shall mean a Taxable year relating to an Applicable Tax Return. For purposes of this Agreement, the Taxable year that includes the Effective Date will be treated as two separate Applicable Tax Years, the first beginning on January 1, 2019 and ending on the Effective Date (“First Stub Period”) and the second beginning on the day following the Effective Date and ending on the last day of such Taxable year.

“Business Day” shall mean a day which is not a Saturday or Sunday or day on which banks in New York, New York are not open for business.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Effective Date” has the meaning set forth in Preamble.

“Estimated Tax Installment Date” shall mean the estimated Tax installment due dates prescribed in Section 6655(c) of the Code (currently March 15, June 15, September 15, and December 15).

“Final Determination” shall mean in respect of any issue (a) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final and not subject to further appeal, (b) a closing agreement whether or not entered into under Section 7121 of the Code or any other binding settlement agreement (whether or not with the IRS) entered into in connection with or in contemplation of an administrative or judicial proceeding, (c) the completion of the highest level of administrative proceedings if a judicial contest is not or is no longer available, or (d) any other final disposition, including by reason of the expiration of the applicable statute of limitations or any other event that the parties agree in writing is a final and irrevocable determination of the liability at issue.

“First Stub Period” has the meaning set forth in the definition of “Applicable Taxable Year”.

“Hunt” has the meaning set forth in Preamble.

“IRS” shall mean the U.S. Internal Revenue Service.

“LPA” shall mean that Amended and Restated Limited Partnership Agreement of the Partnership, dated as of the Effective Date.

“Operating Company” has the meaning set forth in the Preamble.

“Parties” has the meaning set forth in Preamble.

“Partners” has the meaning set forth in Preamble.

“Partnership” has the meaning set forth in Preamble.

“Partnership Annual Tax Liability” shall mean with respect to each Applicable Taxable Year, an amount equal to the Tax liability that the Partnership would have incurred if the Partnership had filed a Tax Return for such Applicable Taxable Year assuming the Partnership were treated as a corporation for Tax purposes determined in accordance with Section 2.

“Payment Period” has the meaning set forth in Section 6.

“Prime Rate” means the rate of interest quoted from time to time by The Wall Street Journal, U.S. Edition, as the “prime rate” based on the base rate of major US banks or, if The Wall Street Journal ceases to provide such quotes, a comparable rate selected by the Partnership.

“Sempra” has the meaning set forth in Preamble.

“Sharing Percentages” shall mean, (i) for the First Stub Period, 100% with respect to Hunt and 0% with respect to Sempra and (ii) for all other Applicable Taxable Years, Hunt and Sempra’s respective Percentage Interests (as defined and determined in the LPA) with respect to such Applicable Taxable Year, *provided* that if the Percentage Interest (as defined and determined in the LPA) of either Hunt or Sempra varies during an Applicable Taxable Year, the Partnership shall make appropriate adjustments to the Sharing Percentages to reflect such variation (which adjustments generally shall be based on the method the Partnership applies to reflect the variation of the Percentage Interests when allocating income for such Applicable Taxable Year).

“SPA” has the meaning set forth in Recitals.

“Tax” or “Taxes” whether used in the form of a noun or adjective, shall mean all forms of taxation, whenever created or imposed, including, but not limited to, taxes on or measured by income, franchise, gross receipts, sales, use, excise, payroll, personal property (tangible or intangible), real property, ad valorem, value added, leasing, leasing use or other taxes, levies, imposts, duties, charges or withholdings of any nature whether imposed by a country, locality, municipality, government, state, federation, or other governmental body, including any penalties, fines and additions to tax and any interest on tax; provided, however, “Taxes” shall not include Partnership Level Taxes (as defined in the LPA) or any of the foregoing taxes to extent such taxes are paid or payable by the Partnership or the Operating Company under applicable law.

“Tax Payment Date” means, with respect to each Applicable Taxable Year, the first March 15 following the end of such Applicable Taxable Year; *provided*, the First Stub Period shall have the same Tax Payment Date as the Applicable Taxable Year beginning on the date following the Effective Date and ending on the last day of the Taxable year.

“Tax Return” shall mean any report, return, claim for refund, information statement, declaration, questionnaire, election statement or other document relating to Taxes, including any schedule or attachment thereto and any amendment thereof.

SECTION 2. Payment of Partnership Annual Tax Liability.

(a) On each Tax Payment Date with respect to each Applicable Taxable Year, the Partnership shall make cash payments to each of Hunt and Sempra in an amount equal to its Sharing Percentage of the Partnership Annual Tax Liability with respect to such Applicable Taxable Year (an “Annual Tax Payment”). Consistent with and in furtherance of the foregoing, reasonably in advance of each Estimated Tax Installment Date with respect to an Applicable Taxable Year, the Partnership shall make cash payments to each of Hunt and Sempra in an amount equal to its Sharing Percentage of the amount the Partnership would have otherwise been required to pay to the IRS on such Estimated Tax Installment Date, calculated in accordance with the method described in Section 6655(d) of the Code, as appropriate. All cash payments to a Partner pursuant to the preceding sentence shall be treated as an advance of, and shall offset, the cash payment payable to the Partner (pursuant to this Section 2(a)) on the next Tax Payment Date.

(b) The Partnership Annual Tax Liability shall be determined, where applicable, using the same Tax accounting methods and Tax elections (other than any elections made under Section 754 of the Code thereby disregarding any items of income, gain, loss or deduction arising from adjustments under Sections 734 or 743 of the Code) as the Partnership uses in its IRS Form 1065 and using such other elections, methods or assumptions as reasonably determined by the Partnership.

(c) If, for any Applicable Taxable Year, the payments made by the Partnership pursuant to Section 2(a) are different from the Partnership Annual Tax Liability for such Applicable Taxable Year, then Hunt and Sempra or the Partnership, as the case may be, shall promptly following such determination make an adjusting payment in the amount required such that payments made by the Partnership for such Applicable Tax Year (taking into account the adjustments, if any, pursuant to this Section 2(c)) equal the Partnership Annual Tax Liability for such Applicable Taxable Year. Any payment required to be made to the Partnership under this Section 2(c) shall be made by Hunt and Sempra in accordance with their Sharing Percentages for the Applicable Taxable Year to which such payment relates.

SECTION 3. Recomputation; Withholding.

(a) If, for any Applicable Taxable Year, the taxable income of the Partnership is redetermined as a result of a Final Determination, whether as a result of a refund, an IRS adjustment or otherwise, the payment obligations of the Parties pursuant to the terms of this Agreement shall be redetermined by the Partnership in a reasonable manner, and either the Partnership or each of Hunt and Sempra, as the case may be, shall make an adjusting payment to the other(s) in the amount required such that, for such Applicable Taxable Year (and for each other Applicable Taxable Year), the payments made by the Partnership equal the Partnership Annual Tax Liability of each Applicable Taxable Year (taking into account the correlative effects of such redetermination). Any payment required to be made to (or by) the Partnership

under this Section 3 shall be made by (or to) Hunt and Sempra in accordance with their Sharing Percentages for the Applicable Taxable Year to which the redetermination relates.

(b) To the extent a redetermination under Section 3(a) relates to a Partner's repayment obligation of a Partnership Level Tax (as defined in the LPA), as determined in good faith by the Partnership, the Partnership may offset amounts owed to such Partner by the Partnership pursuant to Section 3(a) with amounts owed by such Partner to the Partnership pursuant to Section 4.5 of the LPA.

(c) If required to do so by any applicable law, the Partnership may withhold from payments to a Partner, and each Partner hereby authorizes the Partnership to withhold and pay to the appropriate taxing authority on behalf of or with respect to such Partner any amount of U.S. federal, state, provincial, local or foreign taxes that the Partnership determines, in good faith, that the Partnership is required to withhold and pay with respect to any amount payable to such Partner pursuant to this Agreement. For all purposes under this Agreement, any amounts withheld with respect to a Partner pursuant to this Section 3(c) and paid over by the Partnership to the applicable taxing authority shall offset any payments to which such Partner is entitled concurrently with such withholding and shall be treated as having been paid to such Partner pursuant to Section 2(a) at the time such offset is made.

SECTION 4. Applicability. This Agreement shall apply to any Tax Return in respect of the Partnership for any Taxable period that ends after the Effective Date (the "Applicable Tax Returns").

SECTION 5. Disputes. Any Party may dispute any determination or the amount of any payment made or proposed to be made under this Agreement by giving notice of such dispute to the other Parties, together with any explanation of what it believes to be the correct determination or payment amount. Following receipt of such a notice, the Parties shall cooperate reasonably and in good faith to resolve such dispute, and such resolution shall be as determined by agreement of all Parties.

SECTION 6. Interest. Payments pursuant to this Agreement shall bear interest (i) if such payments are not made within the period prescribed in this Agreement (the "Payment Period"), for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment, and (ii) if such payments are made in accordance with the resolution of a dispute pursuant to Section 5, for the period from and including the date on which notice was first given by the disputing party through and including the date of such resolution, or as otherwise agreed by the Parties in resolving such dispute; in each case at a per annum rate equal to the lesser of (i) the Prime Rate, plus two percent (2%) and (ii) the maximum lawful amount of interest then permitted to be charged. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which it is due.

SECTION 7. Joint and Several Liability. Notwithstanding anything herein to the contrary, the Operating Company shall be jointly and severally liable with the Partnership as a principal and not as a surety with respect to the performance of all covenants, obligations, and agreements, and the payment of all obligations, of the Partnership under this Agreement.

SECTION 8. Tax Treatment of the Partnership. As of the date of this Agreement, the Partnership is treated as a partnership for Tax purposes.

SECTION 9. Amendment. This Agreement may be amended, modified or supplemented only by a written agreement of all the Parties.

SECTION 10. Additional Documents and Acts. In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

SECTION 11. Governing Law. This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed and construed in accordance with the Laws of the State of Texas, without reference to its conflicts of law principles.

SECTION 12. Forum Selection and Consent to Jurisdiction.

(a) Each of the parties hereto irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement brought by any party or its Affiliates against any other party or its Affiliates shall be brought and determined in any federal or state court located in Dallas County in the State of Texas. Each of the parties hereby irrevocably submits to the jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement. Each of the parties agrees not to commence any action, suit or proceeding relating thereto except in the courts described above in Texas, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Texas as described herein. Each of the parties further agrees that notice as provided herein shall constitute sufficient service of process and the parties further waive any argument that such service is insufficient.

(b) Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the courts in Texas as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) that (i) the Legal Proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

SECTION 13. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR

RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 14. Entire Agreement. This Agreement and the LPA contain the entire understanding and agreement among the parties hereto with respect to the subject matter hereof and supersedes any prior written oral understandings or agreements among them with respect thereto.

SECTION 15. Assignment. A Partner may assign its rights and obligations under this Agreement to a transferee of such Partner that is admitted as a limited partner of the Partnership in accordance with the LPA in connection with a transfer by such Partner of all or part of its interest in the Partnership to such transferee pursuant to a transfer made in accordance with the applicable provisions of the LPA. Except as provided in the preceding sentence, no Party shall assign any of its rights or obligations under this Agreement, in whole or in part, directly or indirectly, without the prior written consent of the other Parties. Any attempt to assign any rights or obligations arising under this Agreement other than as permitted by this Section 15 shall be void.

SECTION 16. Binding Effect. Subject to Section 15, all covenants and agreements in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors, heirs, legal representatives and permitted assigns.

SECTION 17. No Presumption Against Drafter. Each of the Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by each of the parties hereto and no presumptions or burdens of proof shall arise favoring any party hereto by virtue of the authorship of any of the provisions of this Agreement.

SECTION 18. Rules of Construction. This Agreement is to be read and construed in accordance with the conventions set forth in Section 12.10 of the LPA.

SECTION 19. Timing of Action or Notice. If any action or notice required or permitted under this Agreement is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice may be deferred until, or may be taken or given on, the next Business Day.

SECTION 20. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under Applicable Law; provided, however, that if performance of any provision of this Agreement, at the time such performance shall be due, shall transcend the limit of validity prescribed by Applicable Law, then the obligation to be performed shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect. The parties shall negotiate in good faith a replacement clause or provision as consistent with the ineffective clause or provision as is practicable under Applicable Law.

SECTION 21. Waiver; Modification. Failure by any Party to insist upon or enforce any of its rights shall not constitute a waiver thereof, and nothing shall constitute a waiver of such Party's right to insist upon strict compliance with the provisions hereof. Any Party may waive the benefit of any provision or condition for its benefit contained in this Agreement.

SECTION 22. Third-Party Beneficiaries. This Agreement is made solely and specifically between and for the benefit of the parties hereto and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other person or party shall have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third-party beneficiary or otherwise.

SECTION 23. Counterparts. This Agreement may be executed in a number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

SECTION 24. Facsimile/PDF Signatures. In order to expedite the transaction contemplated herein, telecopied, facsimile, or.pdf (exchanged via e-mail) signatures may be used in place of original signatures on this Agreement. The Parties intend to be bound by the signatures on the telecopied, facsimile or pdf document, are aware that the other Parties will rely on the telecopied, facsimile or.pdf signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have duly executed this Tax Sharing Agreement as of the date first above written.

SHARYLAND UTILITIES, LLC

By: _____
Name:
Title:

[SHARYLAND HOLDINGS], L.P.

By: Shary Holdings, L.L.C, its general partner

By: _____
Name:
Title:

SU INVESTMENT PARTNERS, L.P.

By: HH – SU Investments, L.L.C., its general partner

By: _____
Name:
Title:

SEMPRA TEXAS UTILITIES HOLDINGS I, LLC

By: _____
Name:
Title:

Wholesale Transmission Cost of Service
Division of Sharyland WTS Rate Between North Texas Utility and South Texas Utility

Docket No. 48416

<u>Revenue Requirement</u>		<u>North Texas Utility</u>	<u>South Texas Utility</u>	<u>Total</u>	<u>Per Docket 48416</u>
Operation & Maintenance	\$	8,000,555	\$ 1,309,994	\$ 9,310,549	\$ 9,310,549
Depreciation - Transmission plant	\$	41,744,139	\$ 6,235,032	\$ 47,979,171	\$ 47,979,171
Depreciation - General plant	\$	56,477	\$ 9,248	\$ 65,725	\$ 65,725
Amortization	\$	516,886	\$ 84,634	\$ 601,520	\$ 601,520
Taxes Other Than Income Taxes	\$	27,138,583	\$ 4,387,605	\$ 31,526,188	\$ 31,526,189
Federal Income Tax	\$	17,552,766	\$ 2,875,240	\$ 20,428,006	\$ 20,428,006
Return on Rate Base	\$	122,036,567	\$ 19,990,262	\$ 142,026,829	\$ 142,026,829
Total revenue requirement	\$	217,045,973	\$ 34,892,015	\$ 251,937,988	\$ 251,937,989
<u>Rate</u>					
ERCOT AVERAGE 4 CP-in MW		67273 10106	67273 10106		67273.10106
Wholesale Rate \$/MW	\$	3,226.3411	\$ 518.6622	\$ 3,745.0033	\$ 3,745.0034

Return on Rate base

FERC Accounts-(350-62)					
Original Plant In Service	\$	1,729,150,896	\$ 279,619,896	\$ 2,008,770,792	\$ 2,008,770,795
(Accumulated Depreciation)	\$	(191,049,940)	\$ (27,672,112)	\$ (218,722,051)	\$ (218,722,052)
Net Plant In Service	\$	1,538,100,956	\$ 251,947,784	\$ 1,790,048,740	\$ 1,790,048,743
Allocated Plant Accounts- Net *	\$	1,411,350	\$ 231,092	\$ 1,642,442	\$ 1,642,442
Working Capital	\$	1,582,427	\$ 259,103	\$ 1,841,531	\$ 1,841,531
ADFIT	\$	(27,519,505)	\$ (4,505,987)	\$ (32,025,492)	\$ (32,025,492)
Regulatory Assets	\$	526,102	\$ 86,143	\$ 612,245	\$ 612,245
Total Rate Base	\$	1,514,101,331	\$ 248,018,135	\$ 1,762,119,466	\$ 1,762,119,468
Rate of Return		8.06%	8.06%		8.06%
Return on Rate Base	\$	122,036,567	\$ 19,990,262	\$ 142,026,829	\$ 142,026,829

Gross Plant in Service

350	Land and Land Rights	\$	116,845,009	\$ 42,439,074	\$ 159,284,084	\$ 159,284,084
352	Structures and Improvements	\$	93,435,544	\$ 10,560,097	\$ 103,995,641	\$ 103,995,643
353	Station Equipment	\$	377,742,228	\$ 112,347,668	\$ 490,089,896	\$ 490,089,897
353.1	Transmission operations center	\$	5,597,207	\$ -	\$ 5,597,207	\$ 5,597,208
354	Towers and Fixtures	\$	477,461,404	\$ (0)	\$ 477,461,403	\$ 477,461,404
355	Poles and Fixtures	\$	219,442,754	\$ 85,655,575	\$ 305,098,329	\$ 305,098,327
356	O H. Conductors & Devices	\$	416,474,744	\$ 12,619,751	\$ 429,094,496	\$ 429,094,495
357	Underground Conduit	\$	-	\$ -	\$ -	\$ -
358	Underground Conductors	\$	-	\$ -	\$ -	\$ -
359	Roads and Trails	\$	22,152,007	\$ 15,997,730	\$ 38,149,737	\$ 38,149,737
	Total	\$	1,729,150,896	\$ 279,619,896	\$ 2,008,770,792	\$ 2,008,770,795

Accumulated Depreciation

350	Land and Land Rights	\$	2,444,767	\$ (1,798)	\$ 2,442,968	\$ 2,442,968
352	Structures and Improvements	\$	6,975,254	\$ 560,917	\$ 7,536,170	\$ 7,536,171
353	Station Equipment	\$	34,967,257	\$ 21,548,438	\$ 56,515,695	\$ 56,515,693
353.1	Transmission operations center	\$	2,477,370	\$ -	\$ 2,477,370	\$ 2,477,370
354	Towers and Fixtures	\$	50,897,409	\$ 26,112	\$ 50,923,521	\$ 50,923,522
355	Poles and Fixtures	\$	28,309,232	\$ 4,290,074	\$ 32,599,306	\$ 32,599,306
356	O H. Conductors & Devices	\$	63,084,622	\$ 744,757	\$ 63,829,378	\$ 63,829,379
357	Underground Conduit	\$	-	\$ -	\$ -	\$ -
358	Underground Conductors	\$	-	\$ -	\$ -	\$ -
359	Roads and Trails	\$	1,894,030	\$ 503,613	\$ 2,397,643	\$ 2,397,643
	Total	\$	191,049,940	\$ 27,672,112	\$ 218,722,051	\$ 218,722,052

North Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Schedule A: Summary of Updates

Description	Revenue Requirement (3) = (1) + (2)	Reference Schedule (4)
Operation & Maintenance	\$ 8,000,555	Docket 41474
Depreciation - Transmission plant	\$ 41,744,139	E-1
Depreciation - General plant	56,477	Docket 41474
Amortization	516,886	Docket 41474
Taxes Other Than Income Taxes	\$ 27,138,583	E-2
Federal Income Tax	\$ 17,552,766	E-3
Return on Rate Base	\$ 122,036,567	B
Total revenue requirement	\$ 217,045,973	
ERCOT AVERAGE 4 CP-in MW	67,273.1	Docket 47777
Wholesale Rate \$/MW	\$ 3,226.3411	

North Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Schedule B: Summary of Wholesale Transmission Rate Base

Description	Balance 4/30/2018 (2)	Reference Schedule (4)
Direct Assigned:		
FERC Accounts-(350-62)		
Original Plant In Service	\$ 1,729,150,896	B-1
(Accumulated Depreciation)	(191,049,940)	B-5
Net Plant In Service	\$ 1,538,100,956	
Allocated Plant Accounts- Net *	1,411,350	Docket 41474
Working Capital	1,582,427	Docket 41474
ADFIT	(27,519,505)	Docket 47469 as of 01/31/2018
Regulatory Assets	526,102	Docket 41474
Total Rate Base	\$ 1,514,101,331	
Rate of Return	8.06%	
Return on Rate Base	\$ 122,036,567	

North Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Account No.	Description	Reference Schedule Workpaper	Ending Balance per 4/30/2018 (5)
Transmission Plant-Gross			
350	Land and Land Rights	WP Sch B-1	\$ 116,845,009
352	Structures and Improvements	WP Sch B-1	\$ 93,435,544
353	Station Equipment	WP Sch B-1	\$ 377,742,228
353.1	Transmission operations center	WP Sch B-1	\$ 5,597,207
354	Towers and Fixtures	WP Sch B-1	\$ 477,461,404
355	Poles and Fixtures	WP Sch B-1	\$ 219,442,754
356	O.H. Conductors & Devices	WP Sch B-1	\$ 416,474,744
357	Underground Conduit	WP Sch B-1	\$ -
358	Underground Conductors	WP Sch B-1	\$ -
359	Roads and Trails	WP Sch B-1	\$ 22,152,007
TOTAL TRANSMISSION PLANT IN SERVICE-GROSS			\$ 1,729,150,896

**North Texas Utility
Wholesale Transmission Accumulated Depreciation
Updated to April 30, 2018**

Acct. No.	Description	Balance As of 4/30/2018 (4)
Accumulated Depreciation		
Transmission Plant		
350	Land and Land Rights	\$ 2,444,767
352	Structures and Improvements	\$ 6,975,254
353	Station Equipment	\$ 34,967,257
353.1	Transmission Operations Center	\$ 2,477,370
354	Towers and Fixtures	\$ 50,897,409
355	Poles and Fixtures	\$ 28,309,232
356	O.H. Conductors & Devices	\$ 63,084,622
357	Underground Conduit	\$ -
358	Underground Conductors	\$ -
359	Roads and Trails	\$ 1,894,030
Total		\$ 191,049,940

North Texas Utility
Wholesale Transmission Cost of Service
Change in Depreciation and Amortization Expense
Updated to April 30, 2018

ACCT NO.	Description	Original Cost 4/30/2018 (3)	Depreciation Rate (5)	Total Depreciation Expense (7)
Transmission Plant				
350	Land and Land Rights	116,845,009		\$ -
352	Structures and Improvements	93,435,544	2.16%	\$ 2,018,208
353	Station Equipment	377,742,228	2.55%	\$ 9,632,427
353.1	Transmission Operations Center	5,597,207	10.00%	\$ 559,721
354	Towers and Fixtures	477,461,404	2.04%	\$ 9,740,213
355	Poles and Fixtures	219,442,754	2.89%	\$ 6,341,896
356	O.H. Conductors & Devices	416,474,744	3.14%	\$ 13,077,307
357	Underground Conduit	-		\$ -
358	Underground Conductors	-		\$ -
359	Roads and Trails	22,152,007	1.69%	\$ 374,369
Total Transmission		\$ 1,729,150,896		\$ 41,744,139

North Texas Utility
Wholesale Transmission Taxes Other Than Federal Income Taxes
Updated to April 30, 2018

Line No.	Account Description	Schedule / Workpaper Reference	Balance at 4/30/2018 (3)
1	Taxes Other Than Income Taxes:		
2	Non-Revenue Related		
3	Ad Valorem Taxes	WP/Sch E-2	\$ 25,999,092
4			
5	Revenue Related Taxes		
6	Texas Margins Tax	WP/Sch E-2	1,139,491
7			
8	Total Taxes Other Than FIT Taxes	Schedule A	<u>\$ 27,138,583</u>

North Texas Utility
Wholesale Transmission Federal Income Taxes
Updated to April 30, 2018

Line No.	Account Description	Reference	Adjusted Amount
			(3)
1	Federal Income Taxes:		
2	Return on Rate Base	Schedule B	\$ 122,036,567
3	Deduct:		
4	Synchronized Interest Included In Return		56,004,733
5	ITC Amortization		
6	Amortization of Excess DFIT		
7	Other		
8	Add:		
9	Depreciation Addback		
10	Meals and Entertainment		
11	Taxable Component of Return		\$ 66,031,834
12	Tax Factor (1/1 - .21)(.21)		26.5822785%
13	Federal Income Taxes Before Adjustments		<u>\$ 17,552,766</u>
14	Deduct:		
15	ITC Amortization		
16	Amortization of Protected Excess DFIT		
17	Amortization of Non-Protected Excess DFIT		
18	Amortization of Res Non-Ra Net Exc DFIT		
19	Total Federal Income Taxes	Schedule A	<u><u>\$ 17,552,766</u></u>

South Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Schedule A: Summary of Updates

Description	Revenue Requirement (3) = (1) + (2)	Reference Schedule (4)
Operation & Maintenance	\$ 1,309,994	Docket 41474
Depreciation - Transmission plant	\$ 6,235,032	E-1
Depreciation - General plant	9,248	Docket 41474
Amortization	84,634	Docket 41474
Taxes Other Than Income Taxes	\$ 4,387,605	E-2
Federal Income Tax	\$ 2,875,240	E-3
Return on Rate Base	\$ 19,990,262	B
Total revenue requirement	\$ 34,892,015	
ERCOT AVERAGE 4 CP-in MW	67,273.1	Docket 47777
Wholesale Rate \$/MW	\$ 518.6622	

South Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Schedule B: Summary of Wholesale Transmission Rate Base

Description	Balance 4/30/2018 (2)	Reference Schedule (4)
Direct Assigned:		
FERC Accounts-(350-62)		
Original Plant In Service	\$ 279,619,896	B-1
(Accumulated Depreciation)	(27,672,112)	B-5
Net Plant In Service	\$ 251,947,784	
Allocated Plant Accounts- Net *	231,092	Docket 41474
Working Capital	259,103	Docket 41474
ADFIT	(4,505,987)	Docket 47469 as of 01/31/2018
Regulatory Assets	86,143	Docket 41474
Total Rate Base	\$ 248,018,135	
Rate of Return	8.06%	
Return on Rate Base	\$ 19,990,262	

South Texas Utility
Wholesale Transmission Cost of Service
Updated to April 30, 2018

Account No.	Description	Reference Schedule Workpaper	Ending Balance per 4/30/2018 (5)
Transmission Plant-Gross			
350	Land and Land Rights	WP Sch B-1	\$ 42,439,074
352	Structures and Improvements	WP Sch B-1	\$ 10,560,097
353	Station Equipment	WP Sch B-1	\$ 112,347,668
353.1	Transmission operations center	WP Sch B-1	\$ -
354	Towers and Fixtures	WP Sch B-1	\$ (0)
355	Poles and Fixtures	WP Sch B-1	\$ 85,655,575
356	O.H. Conductors & Devices	WP Sch B-1	\$ 12,619,751
357	Underground Conduit	WP Sch B-1	\$ -
358	Underground Conductors	WP Sch B-1	\$ -
359	Roads and Trails	WP Sch B-1	\$ 15,997,730
TOTAL TRANSMISSION PLANT IN SERVICE-GROSS			\$ 279,619,896

South Texas Utility
Wholesale Transmission Accumulated Depreciation
Updated to April 30, 2018

Acct. No.	Description	Balance As of 4/30/2018 (4)
Accumulated Depreciation		
Transmission Plant		
350	Land and Land Rights	\$ (1,798)
352	Structures and Improvements	\$ 560,917
353	Station Equipment	\$ 21,548,438
353.1	Transmission Operations Center	\$ -
354	Towers and Fixtures	\$ 26,112
355	Poles and Fixtures	\$ 4,290,074
356	O.H. Conductors & Devices	\$ 744,757
357	Underground Conduit	\$ -
358	Underground Conductors	\$ -
359	Roads and Trails	\$ 503,613
Total		\$ 27,672,112

South Texas Utility
Wholesale Transmission Cost of Service
Change in Depreciation and Amortization Expense
Updated to April 30, 2018

ACCT NO.	Description	Original Cost 4/30/2018 (3)	Depreciation Rate (5)	Total Depreciation Expense (7)
Transmission Plant				
350	Land and Land Rights	42,439,074		\$ -
352	Structures and Improvements	10,560,097	2.16%	\$ 228,098
353	Station Equipment	112,347,668	2.55%	\$ 2,864,866
353.1	Transmission Operations Center	-	10.00%	\$ -
354	Towers and Fixtures	(0)	2.04%	\$ (0)
355	Poles and Fixtures	85,655,575	2.89%	\$ 2,475,446
356	O.H. Conductors & Devices	12,619,751	3.14%	\$ 396,260
357	Underground Conduit	-		\$ -
358	Underground Conductors	-		\$ -
359	Roads and Trails	15,997,730	1.69%	\$ 270,362
Total Transmission		\$ 279,619,896		\$ 6,235,032

South Texas Utility
Wholesale Transmission Taxes Other Than Federal Income Taxes
Updated to April 30, 2018

Line No.	Account Description	Schedule / Workpaper Reference	Balance at 4/30/2018 (3)
1	Taxes Other Than Income Taxes:		
2	Non-Revenue Related		
3	Ad Valorem Taxes	WP/Sch E-2	\$ 4,204,422
4			
5	Revenue Related Taxes		
6	Texas Margins Tax	WP/Sch E-2	183,183
7			
8	Total Taxes Other Than FIT Taxes	Schedule A	<u>\$ 4,387,605</u>

South Texas Utility
Wholesale Transmission Federal Income Taxes
Updated to April 30, 2018

Line No.	Account Description	Reference	Adjusted Amount
			(3)
1	Federal Income Taxes:		
2	Return on Rate Base	Schedule B	\$ 19,990,262
3	Deduct:		
4	Synchronized Interest Included In Return		9,173,884
5	ITC Amortization		
6	Amortization of Excess DFIT		
7	Other		
8	Add:		
9	Depreciation Addback		
10	Meals and Entertainment		
11	Taxable Component of Return		\$ 10,816,378
12	Tax Factor (1/1 - .21)(.21)		26.5822785%
13	Federal Income Taxes Before Adjustments		<u>\$ 2,875,240</u>
14	Deduct:		
15	ITC Amortization		
16	Amortization of Protected Excess DFIT		
17	Amortization of Non-Protected Excess DFIT		
18	Amortization of Res Non-Ra Net Exc DFIT		
19	Total Federal Income Taxes	Schedule A	<u><u>\$ 2,875,240</u></u>

DOCKET NO. _____

JOINT REPORT AND APPLICATION	§	
OF ONCOR ELECTRIC DELIVERY	§	
COMPANY LLC, SHARYLAND	§	
DISTRIBUTION & TRANSMISSION	§	PUBLIC UTILITY COMMISSION
SERVICES, L.L.C., SHARYLAND	§	
UTILITIES, L.P., AND SEMPRA	§	OF TEXAS
ENERGY FOR REGULATORY	§	
APPROVALS UNDER PURA §§ 14.101,	§	
37.154, 39.262, AND 39.915	§	
	§	

DIRECT TESTIMONY
of

TREVOR I. MIHALIK

on behalf of

SEMPRA ENERGY

Table of Contents

GLOSSARY OF ACRONYMS AND DEFINED TERMS	2
EXHIBIT LIST	3
I. INTRODUCTION OF WITNESS.....	4
II. PURPOSE OF DIRECT TESTIMONY	6
III. DESCRIPTION OF SEMPRA	9
IV. SEMPRA’S SUPPORT FOR THE ONCOR MERGER AGREEMENT	15
V. SEMPRA’S ACQUISITION OF A 50% INDIRECT INTEREST IN SHARYLAND	17
A. Key Agreement Terms.....	18
B. Satisfaction of Statutory Standards.....	21
VI. CONCLUSION	27
AFFIDAVIT	28

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
ERCOT	Electric Reliability Council of Texas
FDA	Future Development Agreement
Fitch	Fitch Ratings
IEnova	Infraestructura Energética Nova, S.A.B. de C.V.
InfraREIT	InfraREIT, Inc.
LNG	Liquefied natural gas
Moody's	Moody's Investors Service
NERC	North American Electric Reliability Council
O&M	Operation and maintenance
Oncor	Oncor Electric Delivery Company LLC
PURA	Public Utility Regulatory Act
S&P	Standard & Poor's
SDTS	Sharyland Distribution & Transmission Services, L.L.C.
Sempra	Sempra Energy
Sharyland	Sharyland Utilities, L.P.
TTI	Texas Transmission Investment LLC

EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>
TIM-1	Equity Commitment Letter dated as of October 18, 2018

**DIRECT TESTIMONY
OF
TREVOR I. MIHALIK**

I. INTRODUCTION OF WITNESS

1
2 **Q. Please state your name, business address, employer, and employment**
3 **position.**

4 A. My name is Trevor I. Mihalik. My business address is 488 8th Avenue, San
5 Diego, California, 92101. I am employed by Sempra Energy ("Sempra") as
6 Executive Vice President and Chief Financial Officer.

7 **Q. On whose behalf are you submitting this testimony?**

8 A. I am submitting this testimony on behalf of Sempra.

9 **Q. Please describe your duties as Executive Vice President and Chief Financial**
10 **Officer.**

11 A. In these positions, I oversee all financial matters for Sempra, including business
12 development and mergers and acquisitions.

13 **Q. Please describe your educational background.**

14 A. I graduated cum laude with a bachelor's degree in accounting from Creighton
15 University, and I hold a master's degree in business administration from Rice
16 University. I am also a licensed Certified Public Accountant in the state of Texas.

17 **Q. Please describe your professional experience.**

18 A. I began my career with Pricewaterhouse, where I spent nine years working in the
19 firm's energy practice in both the Houston and London offices. After that, I
20 worked for Chevron, where I was vice president of finance in the company's
21 natural gas group and also served as vice president of finance and chief financial
22 officer of Chevron's natural gas marketing, trading, and storage joint venture,

1 Bridgeline Holdings, L.P. I then became the senior vice president of finance at
2 Iberdrola Renewables Holdings, Inc., a diversified Portland, Oregon-based energy
3 company and subsidiary of Iberdrola S.A., a multinational power and gas utility
4 headquartered in Bilbao, Spain.

5 I joined Sempra in 2012 as controller and chief accounting officer and was
6 promoted to senior vice president in 2013. In that role, I was responsible for
7 managing accounting operations, preparing and analyzing financial statements,
8 overseeing financial reporting and accounting systems, and coordinating external
9 audits. I assumed my current position in 2018.

10 **Q. Have you previously filed testimony before the Commission or any other**
11 **regulatory authorities?**

12 A. Yes. I previously filed testimony on behalf of Sempra in Docket No. 47675, in
13 which the Commission approved Sempra's and Oncor Electric Delivery Company
14 LLC's ("Oncor") joint application for Sempra to become the indirect majority
15 owner of Oncor. I also have previously testified before the New Hampshire Site
16 Evaluation Committee, which was established by the New Hampshire legislature
17 for the review, approval, monitoring, and enforcement of compliance in the
18 planning, siting, construction, and operation of energy facilities.

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II. PURPOSE OF DIRECT TESTIMONY

- Q. What is the purpose of your direct testimony in this proceeding?**
- A. The overarching purpose of my direct testimony is to provide Sempra’s perspectives and positions on a series of transactions among numerous entities, including:
- Sempra;
 - InfraREIT, Inc. (“InfraREIT”);
 - Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”);
 - Sharyland Utilities, L.P. (“Sharyland”); and
 - Oncor.¹
- My direct testimony provides information about Sempra and its roles in the various transactions, and I explain why it is in the public interest for the Commission to approve Sempra’s acquisition of a 50% indirect interest in Sharyland. My direct testimony was prepared by me or under my direction, supervision, or control, and is true and correct.
- Q. Is Exhibit TIM-1 a true and correct copy of the document you represent it to be?**
- A. Yes.
- Q. For ease of reference during the remainder of your testimony, please describe the transactions that you will be discussing.**
- A. The following list contains simplified descriptions of the major transactions that I will be discussing in my testimony:

¹ This is a partial list of the entities involved in the Proposed Transactions (defined below). I will identify other entities as necessary.

- 1 • An asset exchange between SDTS and Sharyland, the result of which
2 is that SDTS will own all of the assets currently held by SDTS or
3 Sharyland in north, central, and west Texas (the “North Texas
4 Utility”), and Sharyland will own all of the assets currently held by
5 SDTS or Sharyland in south Texas (the “South Texas Utility”),² all of
6 which is reflected in the “Asset Exchange Agreement”;
- 7 • Oncor’s indirect acquisition of SDTS through its acquisition of 100%
8 of the equity interests of InfraREIT (the “Oncor Merger Agreement”);
9 and
- 10 • Sempra’s purchase of a 50% indirect interest in Sharyland, with SU
11 Investment Partners, L.P. owning the remaining 50% indirect interest
12 (the “Sempra Purchase Agreement”).³

13 I will refer to the Asset Exchange Agreement, the Oncor Merger Agreement, and
14 the Sempra Purchase Agreement collectively as the “Proposed Transactions.”
15 Sempra is a party to the Sempra Purchase Agreement, and it is providing funding
16 to support the Oncor Merger Agreement.

17 **Q. Are you the primary witness who describes the Proposed Transactions at**
18 **issue in this docket?**

19 A. No. Oncor witness Don J. Clevenger and Sharyland witness D. Greg Wilks will
20 provide a detailed explanation of the Proposed Transactions (with particular focus
21 on the Asset Exchange Agreement and the Oncor Merger Agreement) and will
22 identify the parties to each of those transactions. My testimony is limited to
23 describing the Sempra Purchase Agreement, discussing Sempra’s role in each of
24 the Proposed Transactions, and explaining why the Proposed Transactions are in
25 the public interest.

² Sharyland witness D. Greg Wilks discusses the South Texas Utility assets that Sempra is seeking to indirectly acquire in more detail.

³ Mr. Wilks explains the ownership of SU Investment Partners, L.P. in more detail in his testimony. To avoid confusion between Sharyland and SU Investment Partners, L.P., I will refer to Sempra’s counterparty in the Sempra Purchase Agreement as “Hunt.”

1 **Q. What are your recommendations with respect to the Proposed Transactions?**

2 A. I recommend that the Commission approve all of the Proposed Transactions.
3 Sempra, which is the indirect owner of 80.25% of Oncor, supports the Oncor
4 Merger Agreement and will utilize proceeds from the sale of its U.S. renewables
5 business to fund its 80.25% share of that transaction. I also recommend that the
6 Commission approve the Sempra Purchase Agreement because the transaction
7 will allow Sempra to partner with another high-quality utility operator, Sharyland,
8 to provide reliable service and needed infrastructure to south Texas. Finally, I
9 recommend that the Commission approve the Asset Exchange Agreement, which
10 is a necessary pre-condition of the other transactions. This transaction allows the
11 current assets of Sharyland and SDTS to be aligned into the North Texas Utility
12 and the South Texas Utility, a necessary step to accomplish the other Proposed
13 Transactions.

- 1 (2) San Diego Gas & Electric Company provides regulated electricity and
2 natural gas service to 3.6 million customers in San Diego County,
3 California and southern Orange County, California;
- 4 (3) Southern California Gas Company provides natural gas distribution service
5 to 21.7 million customers across central and southern California;
- 6 (4) Sempra South American Utilities develops, owns and operates, or holds
7 interests in, electric transmission, distribution and generation infrastructure
8 in Chile and Peru:
- 9 ○ Luz del Sur, which serves more than 4.9 million customers in the
10 southern region of Lima, Peru, and which develops hydroelectric
11 projects throughout Peru; and
- 12 ○ Chilquinta Energía, which provides electricity service to more than
13 2 million customers in central Chile, and which is active in the
14 development and operation of electric transmission lines across
15 Chile.
- 16 (5) Sempra Mexico operations are contained within Infraestructura Energética
17 Nova, S.A.B. de C.V. (“IEnova”), which develops, builds, and operates
18 energy infrastructure in Mexico, including natural gas, liquified petroleum
19 gas and ethane pipeline and storage systems, a natural gas distribution
20 system, a liquified natural gas regasification terminal, and natural gas and
21 renewable power generation facilities. IEnova has also recently announced
22 a project to develop other hydrocarbon storage and delivery terminals in
23 Mexico for gasoline, diesel, and jet fuel.

1 (6) Sempra LNG & Midstream is currently developing and building liquified
2 natural gas (“LNG”) export terminals in Louisiana, Texas, and Mexico. It
3 also develops, owns and operates midstream natural gas infrastructure,
4 including natural gas pipeline and storage facilities in Louisiana, Texas,
5 Alabama, and Mississippi. Cameron LNG, a joint venture LNG facility
6 under construction in Louisiana, is expected to be one of the first U.S.
7 liquefaction export projects to commence operations in 2019. Sempra
8 LNG & Midstream is also developing an approximately \$8 billion LNG
9 export terminal in Port Arthur, Texas that is expected to employ thousands
10 of Texans during construction, and it will employ more than one hundred
11 permanent workers when it is operational. As part of portfolio
12 optimization initiatives announced in June 2018, Sempra announced a plan
13 to sell two natural gas storage facilities in Mississippi and Alabama.

14 (7) Sempra Renewables owns and operates nearly 2,600 megawatts⁵ of wind
15 and solar generating capacity under long-term purchase power agreements
16 across the southwestern, midwestern, and northeastern United States. As
17 part of its portfolio optimization initiative announced in June 2018, Sempra
18 announced a plan to sell this portfolio of renewable generation assets. On
19 September 20, 2018, Sempra announced an agreement to sell the operating
20 solar assets, solar and battery storage development projects, and one wind
21 facility to Consolidated Edison, Inc. for approximately \$1.54 billion. That

⁵ This amount represents 100% of the generating capacity. Approximately 1,820 megawatts of the 2,600 megawatts are 50% jointly owned with unrelated third parties, and approximately 722 megawatts are owned through tax equity arrangements.

1 sale is expected to close by the end of 2018, and the sale process for the
2 remaining wind assets is ongoing.

3 **Q. Please describe Sempra's financial strength.**

4 A. Sempra currently has a market capitalization of approximately \$31 billion (as of
5 November 23, 2018) and a total enterprise valuation of approximately \$61 billion
6 (as of November 23, 2018). Because of Sempra's strong balance sheet and its
7 earnings from regulated entities and long-term contracted infrastructure
8 businesses, Sempra has investment grade credit ratings from the three major credit
9 rating agencies, as shown in Table TIM-1:

10 **Table TIM-1**

Standard & Poor's ("S&P")	BBB+
Moody's Investors Service ("Moody's")	Baa1
Fitch Ratings ("Fitch")	BBB+

11 In addition, each of the utilities and energy infrastructure businesses in which
12 Sempra has an ownership interest is highly rated and conservatively capitalized,
13 as shown in Table TIM-2:

14

Table TIM-2

Entity	Debt Type	S&P Rating	Moody's Rating	Fitch Rating	Other Local Rating	Debt / Total Capitalization as of Dec. 31, 2017
Sempra Energy	Senior Unsecured	BBB+	Baa1	BBB+	—	56%
Oncor	Senior Secured	A+	A2	A	—	47%
SDG&E	Senior Secured	A	Aa3	A+	—	51%
SoCalGas	Senior Secured	A+	Aa2	AA-	—	44%
Chilquinta	Senior Unsecured	—	—	—	AA	21% ⁶
Luz Del Sur	Senior Unsecured	—	—	—	AAA	43% ⁷
IEnova	Senior Unsecured	BBB	Baa1	BBB+	—	31%

2 Sempra's focus on long-term utility and energy infrastructure assets means that
3 maintaining strong credit ratings is of paramount importance to Sempra, its utility
4 customers, and its partners in LNG and other energy infrastructure development.
5 Credit strength will continue to improve as the Cameron LNG export facility
6 comes on-line beginning in 2019. Sempra's planned divestitures of certain U.S.

⁶ Based on local company financial statements.

⁷ Based on local company financial statements.

1 non-utility natural gas storage assets and all its U.S. wind and solar assets are also
2 expected to continue to lower Sempra's risk profile and further enhance its
3 balance sheet.

4 **Q. Has Sempra's financial strength already been beneficial to Oncor and Texas?**

5 A. Yes. As expected, shortly after Sempra closed on the purchase of its interest in
6 Oncor, all three rating agencies upgraded Oncor's credit rating: S&P upgraded
7 Oncor's rating to A+ (a one-notch upgrade), Moody's upgraded Oncor to an A2
8 rating (also a one-notch upgrade), and Fitch upgraded Oncor to an A rating (a
9 two-notch upgrade). As a result, Oncor has a greater ability to reduce its debt
10 costs as Oncor refinances debt, and its customers will receive 90% of those
11 savings as they occur through Oncor's next full rate case. Additionally, Sempra
12 will be providing equity capital to Oncor to finance its share of the Oncor Merger
13 Agreement.

14

1 **IV. SEMPRA’S SUPPORT FOR THE ONCOR MERGER AGREEMENT**

2 **Q. Does Sempra support the Oncor Merger Agreement?**

3 A. Yes. Sempra supports Oncor’s proposed acquisition of SDTS. To this end,
4 Sempra supports the Oncor, SDTS, and Sharyland testimony that shows that the
5 Oncor Merger Agreement⁸ complies with the Commission’s requirements for the
6 change in control of a utility.

7 **Q. Will Sempra have a role in the Oncor Merger Agreement?**

8 A. Consistent with the ring-fence structure approved by the Commission in Docket
9 No. 47675, Sempra’s role in the Oncor Merger Agreement will be limited to
10 providing its 80.25% share of the cash consideration payable in the transaction.
11 Sempra has committed to contribute approximately \$1.067 billion to Oncor by
12 way of a capital contribution to facilitate Oncor’s purchase of InfraREIT, SDTS’s
13 parent entity, representing its 80.25% share of the cash consideration payable to
14 InfraREIT stockholders and InfraREIT Partners, LP limited partners, and certain
15 transaction expenses.

16 **Q. Is any other entity also contributing capital to finance the indirect purchase**
17 **of SDTS?**

18 A. Yes. Sempra’s co-owner of Oncor is Texas Transmission Investment LLC
19 (“TTI”), and certain of TTI’s owners have committed to contribute equity
20 financing for the cash consideration payable in the transaction in proportion to
21 TTI’s ownership interest in Oncor, which is 19.75%, on the same terms and

⁸ The closing of the Oncor Merger Agreement is conditioned upon the closing of the Asset Exchange Agreement. Oncor witness Mr. Clevenger, SDTS witness Mr. Meleski, and Sharyland witness Mr. Wilks provide support for the Asset Exchange Agreement in their direct testimonies.

1 conditions as Sempra. The equity commitment letter reflecting the funding
2 obligations of Sempra and the TTI owners is attached as Exhibit TIM-1.

3 **Q. How will Sempra finance its part of the investment?**

4 A. Sempra intends to use the proceeds from the sale of its U.S. renewables business
5 to fund its 80.25% share of the consideration payable under the Oncor Merger
6 Agreement.

7 **Q. Is Sempra requesting any change to the ring fence, governance rights,**
8 **separateness requirements, or other provisions of the Order in Docket**
9 **No. 47675?**

10 A. No. If the Oncor Merger Agreement is approved by the Commission, SDTS will
11 be indirectly owned 100% by Oncor and therefore will exist inside the ring fence
12 approved in Docket No. 47675. As such, Sempra's participation is analogous to
13 the way Sempra would participate in any large capital investment by Oncor.
14 Neither Sempra nor Oncor is requesting any modifications to the Order from
15 Docket No. 47675.⁹

16

⁹ To be clear, Oncor is requesting confirmation: (i) that it may consolidate SDTS with Oncor for calculation and reporting of its Earnings Monitor Report and for purposes of compliance with the final Order in Docket No. 47675 (Finding of Fact No. 56); and (ii) that the cash equity contributions invested by Oncor's owners used to directly finance the Oncor Merger Agreement will be included in the calculations reported in Oncor's Earnings Monitor Report solely for purposes of determining compliance with Oncor's debt to equity ratio requirement as set by the final Order in Docket No. 47675 (Finding of Fact No. 56).

V. SEMPRA'S ACQUISITION OF A 50% INDIRECT INTEREST IN SHARYLAND

Q. Please describe the Sempra Purchase Agreement.

A. On October 18, 2018, Sempra entered into the Sempra Purchase Agreement whereby, subject to Commission approval, Sempra Texas Utilities Holdings I, LLC, an indirect wholly owned subsidiary of Sempra, will acquire a limited partnership interest in a newly formed Delaware limited partnership named Sharyland Holdings, L.P. (“Sharyland Holdings”). Sharyland Holdings will own 100% of Sharyland. For that limited partnership interest, which represents 50% of the economic interest in Sharyland, Sempra will pay approximately \$98 million.

Q. Why is Sempra purchasing a 50% indirect interest in Sharyland?

A. This investment is consistent with Sempra's business strategy of investing in regulated electricity and natural gas utility operations and long-term contracted infrastructure businesses. Though Sharyland is smaller than the other Sempra utility investments I discussed earlier, Sharyland complements those other investments and provides a platform for Sempra to continue investing in electric transmission infrastructure to reliably serve Texas's growing population and economy.

Q. Does Sempra's acquisition of a 50% indirect interest in Sharyland require Commission review or approval?

A. I am not an attorney, but it is my understanding that Section 14.101(b) of the Public Utility Regulatory Act (“PURA”) requires that a transaction involving a sale of at least 50% of the utility to be reported to the Commission within a

1 reasonable time.¹⁰ In addition, PURA §§ 39.262(1)(2) and 39.915(a)(2) require
2 Commission approval of a transaction in which at least 50% of the stock of the
3 utility is sold. I will first describe key provisions of the agreement governing the
4 operation of Sharyland, and then I will explain why the Sempra Purchase
5 Agreement satisfies the statutory requirements in PURA.

6 **A. Key Agreement Terms**

7 **Q. Please explain the consent rights held by Sempra.**

8 A. Sharyland Holdings GP, L.L.C, as the general partner of Sharyland Holdings, will
9 be responsible for the daily operations and affairs of Sharyland Holdings and its
10 wholly owned subsidiary Sharyland, subject to certain actions requiring approval
11 of both Sempra and Hunt. These approvals generally fall into three categories:

- 12 • budgetary and capital expenditures;
- 13 • organizational and governance matters; and
- 14 • legal and accounting matters.

15 **Q. Please generally describe the consent rights around budgetary and capital**
16 **expenditures.**

17 A. As a 50% owner of Sharyland Holdings, Sempra will have contractual approval
18 rights over Sharyland's annual plan, which will include projected operating and
19 capital expenditures. Sempra also has approval rights over most expenditures
20 outside of the annual plan. Subject to limited exceptions, Sempra must also
21 consent to any acquisition or the submittal of a new station or transmission project

¹⁰ PURA is codified in Title II of the Texas Utilities Code. *See* Tex. Util. Code Ann. §§ 11.001 – 58.302 (West 2016 & Supp. 2017), §§ 59.001 – 66.016 (West 2007 & Supp. 2017).

1 to the Electric Reliability Council of Texas (“ERCOT”) if the cost exceeds \$3
2 million. Sempra’s approval is also required for:

- 3 • any major changes to the budgetary plans or capital structure;
- 4 • the appointment of new executive officers;
- 5 • major changes to staffing, compensation, or benefit plans; and
- 6 • certain divestitures or acquisitions that constitute more than 10% of
7 Sharyland’s asset value.

8 **Q. Please summarize the major organizational and governance rights.**

9 A. Generally, Sempra’s approval is required for:

- 10 • a major change in the organizational structure;
- 11 • a relocation of the primary place of business;
- 12 • a sale, reorganization, merger, business combination, or creation of
13 joint ventures or new business lines;
- 14 • the creation of subsidiaries; and
- 15 • any dissolution, liquidation, or bankruptcy filing.

16 Sempra will also have approval rights related to any transactions or services
17 agreements with other Hunt affiliates or the funding, development, or acquisition
18 by Sharyland of any project or asset outside of ERCOT.

19 **Q. Please summarize the major legal and accounting consent rights.**

20 A. Sempra approval will be required for:

- 21 • commencement or settlement of material litigation, including
22 settlement of investigations by governmental entities;
- 23 • material tax elections or settlement of tax-related matters;
- 24 • the removal or appointment of auditors; and
- 25 • any material change in accounting practices (other than those required
26 by law or generally accepted accounting principles).

1 **Q. Why are these consent rights important to Sempra?**

2 A. Sempra intends to be a long-term investor in Texas energy infrastructure, and the
3 consent rights provide comfort that the nature of the investment will not change in
4 any material fashion without Sempra's approval. The consent rights also help
5 ensure that Sharyland's business will continue to operate in a way that is
6 consistent with Sempra's values, including its commitment to the communities it
7 serves.

8 **Q. Are these consent rights in the public interest?**

9 A. Yes. In many respects, these consent rights are common to partnerships. Sempra
10 views these consent rights as providing appropriate checks and balances in the
11 management of Sharyland.

12 **Q. Please briefly discuss Sempra's role in the Future Development Agreement**
13 **("FDA").**

14 A. As discussed in Oncor witness Wesley Speed's direct testimony, Oncor and
15 Sharyland have agreed to co-own certain future transmission projects that connect
16 to the pre-transaction Sharyland/SDTS systems in north Texas. Because Sempra
17 will have a post-transaction ownership interest in both Oncor and Sharyland,
18 Sempra will have the right under the FDA to transfer its proportionate share of
19 any Sharyland interest in a proposed joint Sharyland-SDTS project to Oncor. The
20 FDA provides that Sempra will make that designation prior to Oncor filing the
21 application for any amendments to certificates of convenience or necessity
22 ("CCNs") required for the project, so that the Commission will be aware of the
23 applicable ownership interests at that time.

1 **Q. Why does Sempra want this transfer right?**

2 A. Because the future projects will be connected to the assets Oncor is indirectly
3 acquiring in these Proposed Transactions, it is generally more efficient for these
4 particular Sempra interests to reside completely inside Oncor. Thus, Sempra will
5 typically exercise its transfer rights, but it retains the flexibility to assess each
6 project individually.

7 **Q. Is Sempra seeking any approvals in this proceeding related to this transfer**
8 **right or future transmission projects?**

9 A. No. If a future transmission project is subject to the FDA, Sempra, Oncor, and
10 Sharyland anticipate that they will seek approvals for the ownership structure
11 from the Commission at the time a CCN amendment application is submitted.

12 **B. Satisfaction of Statutory Standards**

13 **Q. Does Sempra's purchase price for a 50% indirect interest of Sharyland**
14 **Holdings represent the reasonable value of the property, facilities, or**
15 **securities to be acquired, disposed of, merged or consolidated?¹¹**

16 A. Yes. Sempra's acquisition of a 50% indirect interest in Sharyland Holdings,
17 which will be Sharyland's parent, was negotiated on an arms-length basis between
18 Sempra and Hunt for \$98 million. Sharyland is not selling, acquiring, disposing
19 of, merging, transferring, or consolidating assets as part of Sempra's securities
20 purchase (other than pursuant to the Asset Exchange Agreement), and the amount
21 of the purchase price will not impact Sharyland's rates or cost of service.

¹¹ Responsive to PURA § 14.101(b).

1 Sharyland's rates will continue to be based on the net book value of the assets
2 owned by Sharyland.¹²

3 **Q. Will Sempra's purchase of a 50% indirect interest in Sharyland provide**
4 **consideration equal to the reasonable value of the assets when it sells, leases,**
5 **or transfers assets?**¹³

6 A. Sempra's purchase of a 50% indirect interest in Sharyland does not involve a sale,
7 lease, or transfer of Sharyland assets.

8 **Q. Will Sempra's purchase of a 50% indirect interest in Sharyland adversely**
9 **affect the health or safety of customers or employees?**¹⁴

10 A. No. Sharyland and Sharyland Holdings GP, L.L.C, as the general partner of
11 Sharyland Holdings, will continue the day-to-day management of Sharyland, with
12 support from Oncor in the form of operation and maintenance ("O&M") services.
13 Oncor is the largest transmission and distribution utility in Texas, with a strong
14 history of safe and reliable service. If the Commission determines that Oncor
15 cannot provide O&M services to Sharyland as a non-tariffed service, then
16 Sharyland will continue to operate and maintain its facilities in a safe and reliable
17 manner, as it has done in the past. Oncor witness Mr. Speed discusses these
18 issues in more detail in his direct testimony.

¹² Sharyland is exchanging assets with SDTS pursuant to the Asset Exchange Agreement. As noted below, however, Sharyland rates will reflect only the net book value of the assets retained and owned by Sharyland after the asset exchange with SDTS.

¹³ Responsive to PURA § 14.101(b).

¹⁴ Responsive to PURA § 14.101(b).

1 **Q. Will Sempra’s purchase of a 50% indirect interest in Sharyland result in the**
2 **transfer of jobs of citizens of this state to workers domiciled outside this**
3 **state?**¹⁵

4 A. No. As Mr. Wilks notes in his testimony, the parties intend for Oncor to provide
5 O&M services to the South Texas Utility, and the employees or contractors who
6 provide that service on behalf of Oncor will be from Texas. If the Commission
7 does not approve that request, Sharyland will continue to be operated by certain
8 Texas employees and contractors who currently operate Sharyland.

9 **Q. Will Sempra’s purchase of a 50% indirect interest in Sharyland result in the**
10 **decline of service?**¹⁶

11 A. No. As discussed in the direct testimony of Mr. Speed, one of the forms of relief
12 requested in this docket is that Oncor be permitted to provide O&M services to
13 Sharyland. Oncor’s experience and expertise in operating and maintaining
14 transmission assets should provide the Commission with comfort that there will
15 be no decline of service. However, if Oncor is not permitted to provide O&M
16 services to Sharyland, both Sempra and Sharyland have significant experience in
17 utility O&M and will continue to operate the transmission assets in south Texas in
18 accordance with Commission rules, the ERCOT protocols, and the North
19 American Electric Reliability Corporation (“NERC”) standards. In Docket
20 No. 47675, the Commission expressly found that Sempra had the financial
21 resources and the experience necessary to acquire Oncor, which is a much larger

¹⁵ Responsive to PURA § 14.101(b).

¹⁶ Responsive to PURA § 14.101(b).

1 utility than Sharyland. Sempra's financial resources and its experience owning
2 utilities will provide similar types of benefits to Sharyland.

3 **Q. Will Sempra's purchase of a 50% indirect interest in Sharyland adversely**
4 **reflect the reliability or availability of service?**¹⁷

5 A. No. As explained in Mr. Wilks' testimony, Sharyland Holdings GP, L.L.C., will
6 be the general partner of Sharyland Holdings, and therefore it will manage and
7 operate Sharyland on a day-to-day basis, with support from Oncor if the
8 Commission approves Oncor's provision of O&M services to Sharyland, as
9 requested. As Mr. Speed explains, Oncor has a great deal of experience in
10 operating and maintaining transmission assets. And as noted earlier, regardless of
11 whether the entity providing O&M for the assets is Oncor or Sharyland, those
12 assets will continue to be operated in accordance with Commission rules, the
13 ERCOT protocols, and the NERC standards. Sharyland will also continue to
14 examine the need for additional transmission investment to support the growing
15 south Texas and Rio Grande Valley areas and will bring those projects to the
16 ERCOT stakeholder process and/or to the Commission for review and
17 certification as required.

18 **Q. Will Sempra's purchase of a 50% indirect interest in Sharyland adversely**
19 **affect the cost of service?**¹⁸

20 A. No. Sharyland rates will reflect only the net book value of the assets retained and
21 owned by Sharyland after the asset exchange with SDTS. Moreover, although the

¹⁷ Responsive to PURA §§ 39.262(m) and 39.915(b).

¹⁸ Responsive to PURA §§ 39.262(m) and 39.915(b).

1 current wholesale transmission rates for Sharyland and SDTS will be bifurcated
2 between the North Texas Utility and the South Texas Utility, the overall rate will
3 remain the same. Thus, customers are not harmed by the purchase.

4 In addition, Sempra's financial strength will ensure that Sharyland
5 continues to have access to capital at a reasonable cost. As noted earlier, having a
6 parent with the financial strength and resources of Sempra has clearly been
7 beneficial to Oncor. Sempra's strong balance sheet, available liquidity, and
8 investment grade credit ratings will help ensure that Sharyland has access to debt
9 and equity capital on commercially reasonable terms, enhancing the utility's
10 ability to continue to invest in transmission solutions for Texas. As Mr. Wilks
11 notes, Sharyland has committed that it will provide to ratepayers in the form of
12 bill credits 90% of the interest savings that it realizes as a result of improved
13 credit quality, if any, and debt issuance savings that it realizes, if any, over its
14 current actual cost of debt.

15 **Q. Are there other reasons that costs may be lower to customers?**

16 A. Yes. If the Commission approves the provision of O&M services by Oncor to
17 Sharyland as requested, costs are likely to be lower than they would be if
18 Sharyland were to continue performing O&M for its facilities on its own because
19 of Oncor's size and scale. Oncor witness Mr. Speed discusses this issue in more
20 detail in his testimony.

1 **Q. Has Sharyland committed to update, as needed, and continue to comply with**
2 **its affiliate code of conduct?**

3 A. Yes. As Messrs. Wilks and Ragland explain, Sharyland and Oncor will update
4 their codes of conduct to reflect the new ownership structures, and they will
5 comply with the updated codes of conduct.

6 **Q. Is Sempra asking Texas customers to pay any of the costs that Sempra incurs**
7 **in connection with the Sempra Purchase Agreement or this approval**
8 **proceeding?**

9 A. No. Sempra will not ask Texas customers to pay any of Sempra's costs
10 associated with the Sempra Purchase Agreement or this approval proceeding.
11 Sempra's shareholders will bear those costs.

12

1 **VI. CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. Sempra fully supports the Proposed Transactions. Sempra's financial strength
4 and its experience owning and operating electric utilities ensure that Sharyland
5 will have the resources and capital needed to operate safely and reliably, and to
6 invest in new infrastructure in south Texas to the extent that investment will
7 benefit Texans. The Proposed Transactions are in the public interest as
8 contemplated by PURA §§ 14.101, 39.262(m) and 39.915, and they should be
9 approved.

10 **Q. Does this conclude your direct testimony?**

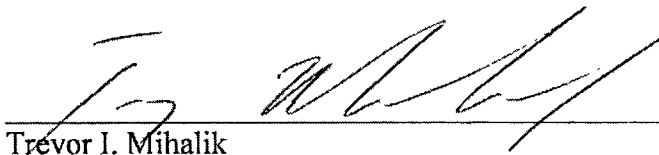
11 A. Yes.
12

AFFIDAVIT

STATE OF CALIFORNIA)
)
COUNTY OF SAN DIEGO)

TREVOR I. MIHALIK, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I am of legal age and a resident of the State of California. I have read the testimony and the accompanying exhibit and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true and correct. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.


Trevor I. Mihalik

Subscribed and sworn to before me this _____ day of November, 2018 by

See attached

Notary Public, State of California

My Commission Expires: _____

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1–6 below)
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], not Notary)

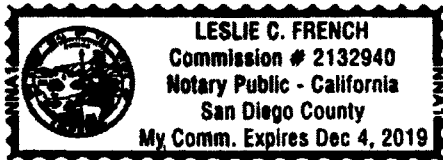
Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of San Diego



Place Notary Seal and/or Stamp Above

Subscribed and sworn to (or affirmed) before me

on this 27th day of November, 2018,
by _____
Date Month Year

(1) Trevor I. Mihalik

(and (2) _____),
Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence to
be the person(s) who appeared before me.

Signature Leslie C. French
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or
fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

EQUITY COMMITMENT LETTER

October 18, 2018

Oncor Electric Delivery Company LLC
1616 Woodall Rogers Frwy.
Dallas, Texas 75202
Attn: Matthew C. Henry, General Counsel

Ladies and Gentlemen:

Reference is hereby made to that certain Agreement and Plan of Merger, dated as of the date hereof (as may be amended from time to time, the "Merger Agreement"), by and among InfraREIT, Inc., a Maryland corporation (the "Company"), Oncor Electric Delivery Company LLC, a Delaware limited liability company ("Parent"), 1912 Merger Sub LLC, a Delaware limited liability company and wholly-owned subsidiary of Parent ("Merger Sub"), InfraREIT Partners, LP, a Delaware limited partnership (the "Partnership"), and Oncor T&D Partners, LP, a Delaware limited partnership ("Merger Partnership"), pursuant to which, upon the terms and conditions set forth therein, the Company will merge with and into Merger Sub, with Merger Sub being the surviving entity (the "Company Merger"), and, following the Company Merger, the Merger Partnership will merge with and into the Partnership, with the Partnership being the surviving entity (collectively, the "Transactions"). Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Merger Agreement. The parties listed on Schedule A hereto are each an "Investor" and collectively, the "Investors."

1. Commitment. This letter agreement confirms the several, and not joint, irrevocable commitment of each Investor, subject to the conditions and limitations set forth herein, to contribute or cause to be contributed as set forth in Schedule A hereto, directly or indirectly through one or more Affiliates, its percentage (as set forth opposite such Investor's name on Schedule A hereto) of up to \$1,329,790,867.00 in immediately available funds as a capital contribution to Parent (the "Commitment") at or prior to the Closing which will be used by Parent solely for the purpose of funding a portion of the Merger Consideration pursuant to, and in accordance with, the Merger Agreement, and the payment of related fees and expenses in connection with the Closing; provided, that no Investor or any of its permitted assigns shall, under any circumstances, be obligated to make contributions to Parent or otherwise fund amounts in excess of its percentage (as set forth opposite such Investor's name on Schedule A hereto) of the Commitment. The several irrevocable obligation of each Investor (or any of its permitted assigns) to fund the Commitment is subject to (a) the terms of this letter agreement, (b) the execution and delivery of the Merger Agreement by the Company, (c) the satisfaction, or written waiver (where permitted) by Parent of all conditions precedent set forth in the Merger Agreement to Parent's, Merger Sub's and Merger Partnership's obligations to effect the Closing (other than those conditions that by their nature are to be satisfied at the Closing, but subject to

the satisfaction or waiver of those conditions), (d) the prior or substantially simultaneous receipt of the cash proceeds from the other Investors, and (e) the substantially simultaneous closing of the Transactions pursuant to the Merger Agreement. Without prejudice to the irrevocable obligations of the Investors under this letter agreement, the amount to be funded under this letter agreement will be reduced by an amount to be agreed among Parent and the Investors in the event that Parent does not require all of the Commitment in order to consummate the Transactions, so long as such reduction would not result in a breach of the representations set forth in Section 4.7(a) of the Merger Agreement. Parent and all members of Parent shall cause, and each applicable Investor shall cause the applicable member controlled by it to cause, the following (except to the extent as may be otherwise agreed by the Investors): (x) all capital contributions of the members of Parent to result in each member owning the same percentage interest in Parent as immediately before the purchase, and (y) the capital contributions to be made by the members of the Parent on behalf of each Investor to be accepted by Parent without changing the current rights of the members of Parent. Each of Texas Transmission Investment LLC, Texas Transmission Holdings Corporation, and Oncor Electric Delivery Holdings Company LLC hereby agrees to effect the transactions contemplated by this Section 1 (*Commitment*) upon the consummation of the transactions contemplated by this letter agreement. For the avoidance of doubt, the obligations of Parent and the Investors set forth in this letter agreement, including, but not limited to, the Commitment, shall be irrevocable and shall terminate only at such time and in such manner as expressly set forth in this letter agreement.

2. Termination. Each Investor's irrevocable obligation to fund its respective portion of the Commitment will terminate automatically and immediately upon the earliest to occur of: (a) the Closing; (b) the valid termination of the Merger Agreement in accordance with its terms, provided that if the Company has made a written claim that any termination of the Merger Agreement by Parent is not valid pursuant to the terms of the Merger Agreement, the foregoing commitment will not terminate pursuant to this clause (b) unless and until such time as such claim is finally satisfied or otherwise resolved by agreement of the parties thereto or a final, non-appealable judgment of a Governmental Entity of competent jurisdiction; (c) the funding in full of the Commitment; (d) the assertion of a claim by the Company, the Partnership or any of their respective Affiliates, or any of their respective agents or representatives acting on their behalf, in any Action against any of the Investors, Parent, Merger Sub, Merger Partnership or any Investor Related Party (as defined below) relating to (x) this letter agreement or (y) the Merger Agreement or any of the transactions contemplated hereby or thereby (other than that certain Securities Purchase Agreement to be entered into by and among Sharyland Utilities, L.P., a Texas limited partnership, SU Investment Partners, L.P., a Texas limited partnership and Sempra Texas Utilities Holdings I, LLC (the "SU Purchase Agreement")), in each case other than any Action to specifically enforce the provisions of this letter agreement as described in Section 5 (*Third Party Beneficiaries*) of this letter agreement or any Action pursuant to Section 8.9 of the Merger Agreement or any Action against Sempra Energy relating to a breach of that certain Confidentiality Agreement, dated as of June 19, 2018, by and between the Company and Sempra Energy (the "Confidentiality Agreement"); and (e) any action by Parent, Merger Sub or Merger Partnership in violation of Section 3 below. Upon the valid termination of this letter agreement, no Investor shall have any further obligations or liabilities hereunder. Neither the Investors nor any of its Affiliates shall be obligated to pay any fees or expenses of Parent resulting from the failure to consummate the Transactions, including, if applicable, any

breakup fee, reverse breakup fee or similar fee (and, if applicable, any interest and/or enforcement fees and expenses related thereto) if any such fee is paid or payable by Parent or any of its Subsidiaries or Affiliates pursuant to the Merger Agreement or otherwise.

3. Merger Agreement. Parent, Merger Sub and Merger Partnership shall not, without the prior written consent of each of the Investors (which consent shall not be unreasonably withheld, conditioned or delayed), (a) amend, or agree to amend, in any material respect, or (b) waive any closing condition or material right or claim under, in each case, the Merger Agreement or that certain Agreement and Plan of Merger, to be entered into by and among Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, L.L.C. and Parent.

4. Assignment; No Modification; Entire Agreement.

(a) The rights and obligations under this letter agreement may not be assigned by any party hereto, directly or indirectly (by operation of Law or otherwise), without the prior written consent of the other parties hereto, and any attempted assignment shall be null and void and of no force or effect; provided, however, that any Investor may assign all or a portion of its rights and obligations under this letter agreement, including, without limitation, its irrevocable obligation to fund all or any portion of its Commitment, to an Affiliate of such Investor. Any assignment pursuant to the immediately preceding sentence shall not relieve the Investor of its obligations under this letter agreement.

(b) This letter agreement may not be amended, and no provision hereof may be waived or modified, except by an instrument signed by each of the parties hereto and the Company and the Partnership.

(c) Together with the Merger Agreement, this letter agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, among or between any of the parties hereto with respect to the subject matter hereof.

5. Third Party Beneficiaries. This letter agreement shall be binding solely on, and inure solely to the benefit of, the parties hereto and their respective successors and permitted assigns, and nothing set forth in this letter agreement shall be construed to confer upon or give to any Person other than the parties hereto and their respective successors and permitted assigns any benefits, rights or remedies under or by reason of, or any rights to enforce or cause Parent to enforce, the Commitment or any provisions of this letter agreement; provided, however, that, subject to Section 8.9 of the Merger Agreement, each of the Company and the Partnership is hereby made an express third party beneficiary of the rights granted to Parent hereby only for the purpose of obtaining specific performance, in the Company's or the Partnership's name, as applicable, of Parent's right to cause the Commitment to be funded under and to the extent provided in this letter agreement and the Merger Agreement, subject to the terms and conditions hereof and thereof, and, in connection therewith, the Company shall have the right to obtain an injunction, or other appropriate form of specific performance or equitable relief, to cause Parent, Merger Sub and Merger Partnership to cause, or to directly cause, each Investor's irrevocable obligation to fund, directly or indirectly, its percentage (as set forth

opposite such Investor's name on Schedule A hereto) of the Commitment pursuant to the terms, and subject to the limitations, hereunder and Section 8.9 of the Merger Agreement.

6. Representations and Warranties.

(a) Each Investor hereby represents and warrants to Parent, solely with respect to itself, that: (i) it has the requisite capacity and authority to execute and deliver this letter agreement and to fulfill and perform its obligations hereunder, (ii) the execution, delivery and performance of this letter agreement by it has been duly and validly authorized and approved by all necessary action by it and no other proceedings or actions on the part of it are necessary therefor, (iii) this letter agreement has been duly and validly executed and delivered by it and, assuming the due and valid execution of this letter agreement by the other parties hereto, constitutes a legal, valid and binding agreement of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), (iv) the execution, delivery and performance by it of this letter agreement does not and will not (1) violate any Law or Order or (2) result in any material violation of, or default (with or without notice or lapse of time, or both) under any Contract to which it is a party, including, solely in the case of Cheyne Walk Investment Pte Ltd ("Cheyne Walk"), Borealis Power Holdings Inc. and BPC Health Corporation, any governance agreement of Texas Transmission Holdings Corporation (in the case of this clause (iv) except as would not reasonably be expected to impair such Investor's ability to perform its obligations under this letter agreement), (v) it has and, until termination of this letter agreement in accordance with the terms hereof, has available funds or otherwise has access to available funds at least equal to its portion of the Commitment hereunder, and (vi) it has the financial capacity to pay and perform all of its obligations under this letter agreement.

(b) Parent hereby represents and warrants to the Investors that: (i) it has the requisite capacity and authority to execute and deliver this letter agreement and to fulfill and perform its obligations hereunder, (ii) the execution, delivery and performance of this letter agreement by it has been duly and validly authorized and approved by all necessary action by it and no other proceedings or actions on the part of it are necessary therefor, (iii) this letter agreement has been duly and validly executed and delivered by it and, assuming the due and valid execution of this letter agreement by the other parties hereto, constitutes a legal, valid and binding agreement of it, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and (iv) the execution, delivery and performance by it of this letter agreement does not and will not (1) violate any Law or Order or (2) result in any material violation of, or default (with or without notice or lapse of time, or both) under any Contract to which it is a party, in the case of clause (iv) except as would not reasonably be expected to impair Parent's ability to perform its obligations under this letter agreement.

7. Limited Recourse; Enforcement.

(a) Notwithstanding anything that may be expressed or implied in this letter agreement, or any document or instrument delivered in connection herewith, Parent, by its acceptance of the benefits of each Investor's share of the Commitment provided herein, agrees and acknowledges that no Person other than the Investors shall have any obligations hereunder and that, notwithstanding that an Investor or any of its permitted assigns may be a limited partnership, separate limited partnership or limited liability company, no recourse hereunder or under any documents or instruments delivered in connection herewith or in respect of any oral representations or warranties made or alleged to have been made in connection herewith or therewith shall be had against any former, current or future director, officer, employee, representative, direct or indirect controlling person, equityholder, general or limited partner, member, stockholder, incorporator, Affiliate, successor or permitted assignee of an Investor or any former, current or future director, officer, employee, representative, direct or indirect controlling person, equityholder, general or limited partner, member, stockholder, incorporator, Affiliate, successor or permitted assignee of any of the foregoing (each, other than the Investors and, for greater certainty, Parent or any of its Subsidiaries, an "Investor Related Party"), whether by or through attempted piercing of the corporate (or limited liability company or limited partnership or separate limited partnership) veil, by or through a claim by or on behalf of Parent, Merger Sub or Merger Partnership against any Investor Related Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute, regulation or applicable Law, or otherwise. It is expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Investor Related Party for any obligations of the Investors or any of their respective successors or permitted assigns under this letter agreement or any documents or instruments delivered in connection herewith or in respect of any oral representations or warranties made or alleged to have been made in connection herewith or therewith or for any claim (whether at Law or equity or in tort, contract or otherwise) based on, in respect of, or by reason of such obligations or their creation.

(b) None of the Investors or any of the Investor Related Parties shall have any liability to any Person in connection with the Merger Agreement, the Asset Exchange Agreement, the SU Purchase Agreement or this letter agreement (other than as explicitly set forth in this letter agreement or the Investor or any of its Affiliates may have under the SU Purchase Agreement or the Confidentiality Agreement), whether based upon contract, tort or any other claim or legal theory and whether at law or equity; provided that nothing herein shall limit the rights of the Company and the Partnership against Parent, Merger Sub and/or Merger Partnership under the Merger Agreement pursuant to the terms and conditions of such agreement. The foregoing sentence shall survive any termination of this letter agreement.

(c) Subject to the provisos in Section 5 (*Third Party Beneficiaries*) hereof, this letter agreement may only be enforced by Parent or the Investors in their sole discretion. Parent's creditors shall have no right to enforce this letter agreement or to cause Parent to enforce this letter agreement. Under no circumstances shall any Investor or any Investor Related Party be liable to Parent for special, incidental, consequential, exemplary or punitive damages under or in connection with the Merger Agreement, this letter agreement or the Transactions contemplated or otherwise incidental thereby or hereby.

(d) The parties agree that irreparable harm would occur in the event that any provision of this Agreement was not performed in accordance with its specific terms or was

otherwise breached, and that money damages or other legal remedies, even if available, would not be an adequate remedy for any such harm. Accordingly, the parties agree that in the event of any breach by any party hereto, the other parties hereto shall be entitled to specific performance of the terms and provisions of this Agreement to prevent breaches of, or to enforce compliance with, the covenants and obligations of the other parties under this Agreement, including without limitation, specific performance of each Investor's irrevocable obligation to fund the Commitment with capital contributions pursuant to the terms, and subject to the conditions and limitations, hereunder. The parties agree that the right of specific enforcement is an integral part of the Agreement and without this right neither Parent nor any Investor would have entered into this Agreement.

8. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) THIS LETTER AGREEMENT AND ALL DISPUTES OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE LAWS OF ANY OTHER JURISDICTION THAT MIGHT BE APPLIED BECAUSE OF THE CONFLICTS OF LAW PRINCIPLES OF THE STATE OF DELAWARE.

(b) EACH OF THE PARTIES HERETO IRREVOCABLY AGREES THAT ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT BROUGHT BY ANY PARTY OR ITS AFFILIATES AGAINST ANY OTHER PARTY OR ITS AFFILIATES SHALL BE BROUGHT AND DETERMINED IN ANY FEDERAL OR STATE COURT LOCATED IN DALLAS COUNTY IN THE STATE OF TEXAS. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE AFORESAID COURTS FOR ITSELF AND WITH RESPECT TO ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, WITH REGARD TO ANY SUCH ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES HERETO AGREES NOT TO COMMENCE ANY ACTION, SUIT OR PROCEEDING RELATING THERETO EXCEPT IN THE COURTS DESCRIBED ABOVE IN TEXAS, OTHER THAN ACTIONS IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE ANY JUDGMENT, DECREE OR AWARD RENDERED BY ANY SUCH COURT IN TEXAS AS DESCRIBED HEREIN. EACH OF THE PARTIES HERETO FURTHER AGREES THAT NOTICE AS PROVIDED HEREIN SHALL CONSTITUTE SUFFICIENT SERVICE OF PROCESS AND THE PARTIES HERETO FURTHER WAIVE ANY ARGUMENT THAT SUCH SERVICE IS INSUFFICIENT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION OR AS A DEFENSE, COUNTERCLAIM OR OTHERWISE, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, (A) ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF THE COURTS IN TEXAS AS DESCRIBED HEREIN FOR ANY REASON, (B) THAT IT OR ITS PROPERTY IS EXEMPT OR IMMUNE FROM JURISDICTION OF ANY SUCH COURT OR FROM ANY LEGAL PROCESS COMMENCED IN SUCH COURTS (WHETHER

THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OF JUDGMENT, EXECUTION OF JUDGMENT OR OTHERWISE) AND (C) THAT (I) THE SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT IS BROUGHT IN AN INCONVENIENT FORUM, (II) THE VENUE OF SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER OR (III) THIS LETTER AGREEMENT, OR THE SUBJECT MATTER HEREOF, MAY NOT BE ENFORCED IN OR BY SUCH COURTS.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS LETTER AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS LETTER AGREEMENT. EACH PARTY HERETO HEREBY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LETTER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS LETTER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 8 (*GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL*).

(d) To the extent that Cheyne Walk may be entitled in any state or jurisdiction to claim or benefit from any immunity (whether characterized as state immunity, sovereign immunity, act of state or otherwise) now or hereafter for itself or any of its property or assets (which it now has or may hereafter acquire) in respect of its obligations under this letter agreement, from service of process or other documents relating to proceedings, jurisdiction, suit, judgment, execution, attachment (whether before awarded or judgment, in aid or execution or otherwise) or legal process, or to the extent that in any such jurisdiction there may be attributed to it or any of its property or assets such immunity (whether or not claimed), Cheyne Walk expressly, unconditionally and irrevocably agrees not to claim, invoke or permit to be invoked on it or its property's or assets' behalf or for it or its property's or assets' benefit and hereby expressly, unconditionally and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction. Subject to any applicable appellate rights, Cheyne Walk consents generally in respect of any proceedings to the giving of any relief or the issue of any process in connection with the proceedings including, without limitation, the making, enforcement or execution against any property or assets whatsoever (irrespective of its or their use or intended use) of any order or judgment which may be made or given in the proceedings. Cheyne Walk irrevocably and unconditionally acknowledges that the execution, delivery and performance of this letter agreement constitute private and commercial (and not public) acts of Cheyne Walk.

9. Counterparts. This letter agreement may be executed in counterparts and by facsimile or by scanned Portable Document Format image, each of which, when so executed, shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

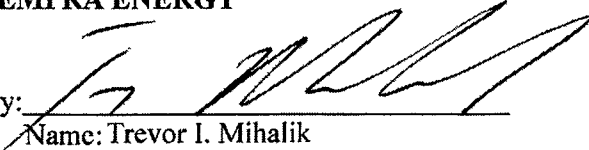
10. Severability. Whenever possible, each provision or portion of any provision of this letter agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this letter agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction.

[Remainder of page intentionally left blank]

Please confirm the above agreement between you and us by signing and returning to us a copy of this letter agreement.

Sincerely,

SEMPRA ENERGY

By: 

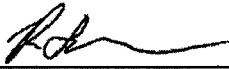
Name: Trevor I. Mihalik

Title: Executive VP and Chief Financial Officer

[Signature Page to Equity Commitment Letter]

Sincerely,

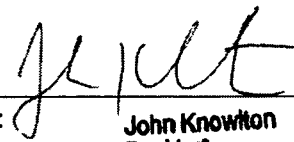
CHEYNE WALK INVESTMENT PTE LTD

By: 
Name: KRYS DAVID EVENDEN
Title: AUTHORIZED SIGNATORY

[Signature Page to Equity Commitment Letter]

Sincerely,

BPC HEALTH CORPORATION


By: 
Name: **John Knowlton**
Title: **President**

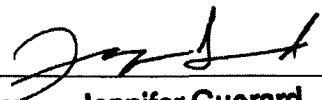
By: 
Name: **Jennifer Guerard**
Title: **Senior Vice President**

[Signature Page to Equity Commitment Letter]

Sincerely,

BOREALIS POWER HOLDINGS INC.

By: 
Name: John Knowlton
Title: Vice President

By: 
Name: Jennifer Guerard
Title: Vice President & Secretary

[Signature Page to Equity Commitment Letter]

Accepted and Agreed:

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: _____
Name:
Title:

Acknowledged and Agreed for purposes of Section 1:

TEXAS TRANSMISSION INVESTMENT LLC

By: Texas Transmission Holdings Corporation, its sole member

By: _____
Name: RHYSDAVID EYENDEN
Title: SVP

By: _____
Name: Steven Zucchet
Title: SVP

TEXAS TRANSMISSION HOLDINGS CORPORATION

By: _____
Name: RHYSDAVID EYENDEN
Title: SVP

By: _____
Name: Steven Zucchet
Title: SVP

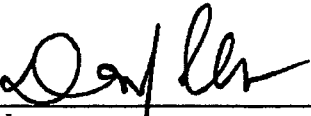
ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC

By: _____
Name:
Title:

[Signature Page to Equity Commitment Letter]

Accepted and Agreed:

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: 
Name: Don J. Clevenger
Title: Chief Financial Officer

Acknowledged and Agreed for purposes of Section 1:

TEXAS TRANSMISSION INVESTMENT LLC

By: _____
Name:
Title:


By: _____
Name:
Title:

TEXAS TRANSMISSION HOLDINGS CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC

By: 
Name: Don J. Clevenger
Title: Chief Financial Officer

[Signature Page to Equity Commitment Letter]

Schedule A

<u>Investors</u>	<u>Percentage of Aggregate Commitment</u>	<u>Amount of Commitment</u>
Sempra Energy	80.25%	Up to \$1,067,157,171
Cheyne Walk Investment Pte Ltd	9.875%	Up to \$131,316,848
Borealis Power Holdings Inc.	4.9375%	Up to \$65,658,424
BPC Health Corporation	4.9375%	Up to \$65,658,424
TOTAL:	100%	\$1,329,790,867.00