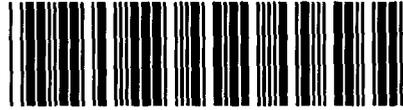


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Matthew C. Henry

Senior Vice President, General Counsel, and
FILING CLERK

April 5, 2019

Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, TX 78701

Re: SOAH Docket No. 473-19-3108; Docket No. 48929 - Joint Report and Application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C., Sharyland Utilities, L.P., and Sempra Energy for Regulatory Approvals Under PURA §§ 14.101, 37.154, 39.262, and 39.915

Dear Chairman Walker, Commissioner D'Andrea, and Commissioner Botkin:

I am pleased to advise you that most of the parties to PUCT Docket No. 48929 have agreed to support, or agreed not to oppose, a proposed Stipulation for the purpose of settling all outstanding issues in the Application. While at this point I have not heard from all parties, each of those parties that have been actively involved in settlement negotiations is supportive of the Stipulation. I am not aware of any opposition.

We are filing with this letter a proposed Stipulation for the Commission to consider. The Stipulation has been the result of extensive negotiations among those parties electing to actively participate and reflects compromises on behalf of all those participants. We do anticipate that there may be minor clean-up changes to the attached Stipulation. In the event of any changes, we will file a red-line comparison on Monday April 8, 2019.

The settling parties respectfully request that the Commission consider the Stipulation at the hearing currently set to begin on April 10, 2019. Alternatively, if it pleases the Commission, the parties have discussed using the hearing time as a Technical Conference to present the Stipulation and address any questions or concerns that you may have about the Stipulation or the case in general, and to otherwise get the Commission's feedback on how to proceed. Of course, we will be prepared to proceed consistent with the desires of the Commission.

Apologies for the late Friday afternoon filing. The parties have been working diligently on the attached Stipulation, and there was a strong desire to make you aware of the settlement as soon as possible. Thank you for your consideration.

Matthew C. Henry

Oncor
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
Tel 214.486 7726
matthew.henry@oncor.com

DOCKET NO. 48929

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

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

STIPULATION

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

As of April 5, 2019, Oncor Electric Delivery Company LLC (“Oncor”), Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”), Sharyland Utilities, L.P. (“Sharyland”), and Sempra Energy (“Sempra”) (collectively, “Joint Applicants”) and certain parties to this docket have reached a settlement concerning the *Joint Report and Application* filed in this proceeding. Based upon that settlement, the following parties joined in this comprehensive and unopposed Stipulation (“Stipulation”) regarding all issues in this docket: Oncor, SDTS, Sharyland, Sempra, the Staff of the Public Utility Commission of Texas (“Commission”), the Office of the Public Utility Counsel (“OPUC”), Alliance for Retail Markets (“ARM”), Steering Committee of Cities Served by Oncor (“Cities”), Texas Energy Association for Marketers (“TEAM”), and Texas Industrial Energy Consumers (“TIEC”) (collectively, “Signatories”). The Signatories agree that a negotiated resolution of this proceeding on the basis set forth in this Stipulation is in the public interest, will conserve the parties’ and the public’s resources, and eliminate controversy. Accordingly, the Signatories request approval of this Stipulation by the Commission and entry of an order (including findings of fact and conclusions of law) consistent with this Stipulation.

I.

This Stipulation has been drafted by all Signatories and is the result of negotiation, compromise, settlement and accommodation. The Signatories agreed that the terms and conditions are interdependent. If the Commission does not accept this Stipulation as presented, or issues an order inconsistent with the terms of this Stipulation or the Proposed Order, the Signatories agree that any Signatory adversely affected by the alteration has the right to withdraw from this

Stipulation, thereby becoming released from its obligations arising hereunder, and to proceed as otherwise permitted by law to exercise all rights available under the law.

This Stipulation is binding on each of the Signatories only for the purpose of resolving the issues as set forth herein and for no other purpose.

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

A. Approval of Proposed Transactions:

1. The Signatories agree that the following transactions, if implemented with the additional requirements in this stipulation, meet the Public Utility Regulatory Act's ("PURA's") standards for approval and are in the public interest: (1) the proposed exchange of transmission assets between SDTS and Sharyland and the necessary amendments to the certificates of convenience and necessity ("CCNs") of Sharyland and SDTS to authorize SDTS (North Texas Utility) and Sharyland (South Texas Utility) to own, operate, and maintain their respective post-exchange assets;¹ (2) the proposed acquisition by Oncor of InfraREIT, Inc. ("InfraREIT") and InfraREIT Partners, LP ("InfraREIT Partners"); (3) the proposed acquisition by Sempra of a 50 percent indirect interest in Sharyland (collectively with (1) and (2), the "Proposed Transactions"); and (4) two post-closing transactions in which two corporate entities (GS Project Entity, L.L.C. and CV Project Entity, L.L.C.) that will no longer need to be maintained as separate entities will be merged into SDTS (North Texas Utility) and Sharyland (South Texas Utility), respectively.

a. The Signatories agree that, based on the requirements of this Stipulation, the Proposed Transactions and the two post-closing transactions described above are in the public interest in accordance with PURA §§ 39.262(l)-(m) and 39.915. The Signatories specifically agree that the Proposed Transactions and the two post-closing transactions will not adversely affect Oncor's or Sharyland's reliability of service, availability of service, or cost of service.

¹ After closing of the Proposed Transactions, SDTS will be a wholly-owned subsidiary of Oncor. In the *Joint Application and Report* and the supporting testimonies, that entity after closing of the Proposed Transactions was referred to as the "North Texas Utility" and Sharyland after closing of the Proposed Transactions was referred to as the "South Texas Utility" (in which Sempra will have a 50 percent indirect interest).

- b. The Signatories also agree that, based on the requirements of this Stipulation, the Proposed Transactions and the two post-closing transactions are in the public interest in accordance with PURA § 14.101. The Signatories specifically agree that the Proposed Transactions and the two post-closing transactions will not (a) result in the transfer of jobs to workers outside of Texas, (b) adversely affect the health or safety of the utility's customers or employees, or (c) result in a decline in service. The Signatories also agree that the Proposed Transactions and the two post-closing transactions will result in no Oncor property or other assets being sold, transferred, or otherwise affected.

B. Additional Regulatory Findings Requested by Joint Applicants:

2. CCNs. The Signatories agree that the Commission should approve the requested necessary amendments to the CCNs of SDTS, Sharyland, and Oncor under PURA § 37.154 to authorize SDTS (North Texas Utility) and Sharyland (South Texas Utility), and their respective subsidiaries, to own, operate, and maintain their respective assets after the Proposed Transactions close.

- a. Specifically, the Signatories agree that:

- i. All CCN rights associated with assets that will be owned by Sharyland (South Texas Utility) after closing of the Proposed Transactions should be transferred to CCN 30192, and CCN 30192 will remain with Sharyland after the closing of the Proposed Transactions;
- ii. All CCN rights associated with west Texas assets should be transferred to the three CCNs that originated with Cap Rock assets (CCNs 30026, 30114, and 30191) in Dawson, Borden, Andrews, Martin, Howard, Mitchell, Ector, Midland, Glascock, Upton, and Reagan counties, and these CCNs will be held by SDTS (North Texas Utility) after the closing of the Proposed Transactions; and
- iii. All CCN rights associated with the remaining assets that are part of the Proposed Transactions should be transferred to CCN 30198, which will remain with SDTS (North Texas Utility) after the closing of the Proposed Transactions. Those assets are located in Oldham, Potter, Carson, Deaf

Smith, Randall, Armstrong, Castro, Swisher, Briscoe, Hale, Floyd, Motley, Crosby, Dickens, Haskell, Throckmorton, Young, Taylor, Runnels, Coleman, Brown, Mills, McCullough, San Saba, and Lampasas counties.

3. Establishment of Separate Wholesale Rates and Tariffs. The Signatories agree that the establishment of separate wholesale transmission rates and tariffs for North Texas Utility's assets and South Texas Utility's assets based of the bifurcation of Sharyland's current WTS rate, which is \$3.745003 per kilowatt ("kW"), on a net plant basis is a reasonable method for establishing separate rates for SDTS (North Texas Utility) and Sharyland (South Texas Utility) after the Proposed Transactions close. This method results in approximately 86.15 percent of Sharyland's current WTS rate being charged by SDTS (North Texas Utility) and approximately 13.85 percent of Sharyland's current WTS rate being charged by Sharyland (South Texas Utility) and results in the following reasonable rates: SDTS (North Texas Utility) will charge a WTS rate that is \$3.226341 per kW, and Sharyland (South Texas Utility) will charge a WTS rate that is \$0.518662 per kW. The Signatories agree that compliance tariffs reflecting these rates should be filed in compliance filings made within ten days after the Commission's final order in this proceeding becomes final.
4. Consolidation of Oncor and SDTS (North Texas Utility) for Ratemaking Purposes. The Signatories agree that Oncor may consolidate SDTS (North Texas Utility) with Oncor for ratemaking purposes and make a combined rate filing in Oncor's next base rate case, which is to be filed no later than October 2021.
5. SDTS (North Texas Utility) Consolidation. Unless otherwise ordered by the Commission, the Signatories agree that the North Texas Utility will be merged into Oncor once all assets acquired in Docket No. 48929 are fully depreciated.
6. Consolidation of Oncor and SDTS (North Texas Utility) for Earnings Monitoring Report Purposes. The Signatories agree that Oncor may consolidate SDTS (North Texas Utility) with Oncor for purposes of calculation and reporting of its Earnings Monitoring Report and for purposes of compliance with the final Order in Docket No. 47675 (Finding of Fact No. 56).
7. Treatment of Cash Equity Contributions. The Signatories agree that the cash equity contributions invested by Oncor's owners used to directly finance the transactions

contemplated by the *Agreement and Plan of Merger by and among Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, L.L.C., and Oncor Electric Delivery Company LLC* dated October 18, 2018 (“Asset Exchange Agreement”) and the *Agreement and Plan of Merger by and among Oncor Electric Delivery Company LLC, 1912 Merger Sub LLC, Oncor T&D Partners, LP, InfraREIT, Inc., and InfraREIT Partners, LP* dated October 18, 2018 (“Oncor Merger Agreement”) will be included in the calculations reported in Oncor’s Earnings Monitoring Report solely for purposes of determining compliance with Oncor’s debt-to-equity ratio requirement as set by the final Order in Docket No. 47675 (Finding of Fact No. 56).

8. *Sharyland (South Texas Utility) Base Rate Case.* The Signatories agree that Sharyland (South Texas Utility) will file a base rate case no later than December 31, 2020, based on a historic 12-month test year beginning on the first day of the month following the closing of the Proposed Transactions.
9. *Oncor’s Provision of Operation and Maintenance (“O&M”) Services to SDTS (North Texas Utility).* The Signatories agree that Oncor can provide O&M services to SDTS (North Texas Utility) under 16 Tex. Admin. Code § 25.272, and that the provision of those services does not require a tariff and does not require that those services be made available to third parties.
10. *Oncor’s Provision of Operation Services to Sharyland (South Texas Utility).* The Signatories agree that, so long as Oncor and Sharyland (South Texas Utility) are affiliates, Oncor can provide operation services to Sharyland (South Texas Utility) under 16 Tex. Admin. Code § 25.272, and the provision of those services does not require a tariff and does not require that those services be made available to third parties, subject to the following:
 - a. Pricing shall compensate Oncor fully for its direct, overhead, indirect costs, depreciation on assets acquired or used provide operations services to Sharyland (South Texas Utility), and carrying costs between incurrence and payment for services.
 - b. The basis for calculating charges for untimely invoice payment shall be changed from 1 to 5 percent per annum; and

- c. Oncor and Sharyland shall submit to the Commission within 90 days of closing a fully detailed pricing basis, sufficient to define and quantify the pricing basis of all services and transactions in a manner that would permit independent verification of proper pricing.
11. Cancellation of Sharyland's Interest in SDTS (North Texas Utility). The Signatories agree that the Commission should approve the cancellation of Sharyland's interest in SDTS (North Texas Utility), including all of Sharyland's Equity Interests (as defined in the Asset Exchange Agreement) and related economic and management interests in SDTS (North Texas Utility). Oncor and Sharyland commit that any costs relating to the cancellation of Sharyland's interests will not be recovered from customers.
12. Oncor agrees to hold harmless its customers from any and all costs of de-REITing InfraREIT, Inc. and any and all liability for income taxes under the REIT structure prior to the consummation of the Proposed Transactions.
13. The Signatories agree that Oncor is authorized to establish a regulatory asset to capture the amounts Oncor pays to SDTS (North Texas Utility) under Sharyland's Wholesale Distribution Substation Service Tariff until rates are established to recover these costs. Although Oncor is not presently authorized to recover those amounts, the Signatories agree that Oncor is permitted to seek recovery of those amounts in a future proceeding.
14. Approval of Tariffs for SDTS (North Texas Utility) and Sharyland (South Texas Utility). The existing tariff and rate schedules for Sharyland, with the WTS rate revised consistent with paragraph 3, will be filed by Sharyland (South Texas Utility) as a compliance filing within ten days after the Commission's final order in this proceeding becomes final. Oncor will file on behalf of SDTS (North Texas Utility) a compliance tariff that is consistent with the existing tariff for Oncor and includes (a) the WTS rate revised consistent with the paragraph 3, and (b) the Wholesale Distribution Substation Service (WDSS) rate and Rider Transition Costs (TC) as those rates currently appear in Sharyland's existing tariff, within ten days after the Commission's final order in this proceeding becomes final.
15. Accounting for Make-Whole Payments. Notwithstanding any other provision in this Stipulation, before Oncor's next rate case, Oncor will record in its books, as it would in the normal course of business, any make-whole payments and other expenses that may be

required to extinguish, transfer to Oncor, or restructure the debt of InfraREIT and its subsidiaries. In its next base rate case, Oncor may request recovery of any unamortized portion of those make-whole payments and other expenses consistent with the requirements of Commission Substantive Rule 25.231(c)(1)(C)(i); other signatory parties do not waive any rights to contest such a request on any basis.

16. Operational Control Transition. The Signatories agree that the operational control transition plan, as set forth in the supplemental direct testimony and exhibit of ERCOT witness William Blevins, should be approved.

C. Commitments by Oncor, Sempra, and Sharyland:

17. Oncor, Sharyland, and Sempra agree that the settlement of this proceeding will not preclude any party to this proceeding from taking a position in any future Oncor, SDTS (North Texas Utility), or Sharyland (South Texas Utility) rate case concerning the prudence of any or all of the costs of those assets that are the subject of the Proposed Transactions and that have not been previously reviewed for prudence.
18. Oncor and Sempra commit that SDTS (North Texas Utility) will be governed and managed within the existing ring-fencing structure that governs Oncor today.
19. Future Development Agreement. Sharyland Utilities, L.P., SDTS, and Oncor will amend the Agreement and Plan of Merger to eliminate the FDA, including eliminating the requirement that an executed FDA be delivered at closing. The FDA will be withdrawn and neither Sharyland Utilities, L.P., Sharyland Utilities, L.L.C. (“Sharyland”), Oncor, nor any of their affiliates will execute it. In addition, Sharyland Utilities, L.P., SDTS, and Oncor affirm that none of the Joint Applicants has any current agreement, promise, or understanding to enter into a new FDA or any document of similar scope and applicability.
20. Oncor and Sharyland will amend their respective existing codes of conduct to include SDTS (North Texas Utility), Sharyland (South Texas Utility), or any new Affiliates resulting from the Proposed Transactions.
21. Oncor and Sharyland commit to provide WTS rate credits of 90 percent of interest savings that each utility realizes, as a result of improved credit quality of SDTS (North Texas Utility) and Sharyland (South Texas Utility), if any, and debt issuance savings that it

realizes, if any. Oncor and Sharyland will file in a compliance docket a calculation of any interest rate savings annually until their next rate cases.

22. Oncor and Sharyland commit to provide merger savings rate credits to their WTS rates totaling \$17 million to be paid as follows:
 - In 2019, Oncor will provide a merger savings rate credit of \$5 million within 30 days after the Commission's final order in this proceeding becomes final;
 - In 2020, Oncor will provide a merger savings rate credit of \$5 million and Sharyland will provide a rate credit of \$2 million by July 1, 2020; and
 - In 2021, Oncor will provide a merger savings rate credit of \$5 million by July 1, 2021.
23. Oncor will not seek recovery of the goodwill recorded as an asset on Oncor's books as a result of the Proposed Transactions through Oncor's rates and will exclude that goodwill amount from Oncor's rate base.
24. Sharyland currently has \$1.1 million of goodwill recorded in FERC Account 114. In the Proposed Transactions, Sharyland will be receiving \$1.969 million (net book value as of 6/30/2018) of plant acquisition adjustments from SDTS which will be recorded in FERC Account 114 on Sharyland's books. Sharyland will not seek recovery of the goodwill nor the plant acquisition adjustment. Sharyland will exclude this goodwill and plant acquisition adjustment from the common equity in Sharyland's EMR filings and in all future rate case filings.
25. Oncor will not seek recovery of the termination fee paid by InfraREIT Partners to Hunt Utility Services, LLC ("HUS") to terminate the management agreement between InfraREIT, InfraREIT Partners, and HUS.
26. Oncor, Sharyland (South Texas Utility), and Sempra will not seek recovery in rates of any expenses related to the Proposed Transactions.
27. Neither Oncor nor Sharyland (South Texas Utility) will seek recovery of the approximately \$30,000,000 regulatory asset associated with the startup costs incurred at the inception of Sharyland.

28. Oncor will not seek recovery of any amount of the approximately \$8.9 million regulatory asset related to Sharyland's rate case expenses that were requested in Docket No. 45979. Sharyland will not seek recovery of any rate case expenses that were requested or incurred in Docket No. 45979.
29. SDTS (North Texas Utility) and Sharyland (South Texas Utility) may not amortize or reduce the regulatory liabilities for excess accumulated deferred income taxes recorded as the result of the Tax Cuts and Jobs Act of 2017 until the amortization is reflected in rates and agree that the disposition of these amounts will be addressed in the next Oncor and Sharyland (South Texas Utility) base rate case proceedings. Additionally, all issues related to NOL ADIT are reserved for disposition in future base rate proceedings.
30. Subject to Oncor's receipt of appropriate CCNs where required, Oncor commits that all greenfield investments and other investments in transmission projects associated with transmission assets that were previously owned by Sharyland and SDTS, including the pending Lubbock Power & Light ("LP&L") projects, that are not required to be made at SDTS by debt covenants or that are capital replacements of a break/fix nature will be made at Oncor and owned by Oncor. This expressly includes the LP&L integration projects pending at the Commission.
31. Oncor and Sharyland commit that the entity that owns the assets after consummation of the Proposed Transactions is the entity that is responsible for filing a reconciliation of rates for those assets. Similarly, in the event that the Commission finds that any amount previously included in interim TCOS updates are unreasonable, the entity that owns the assets after consummation of the Proposed Transactions will be responsible for refunding any such amounts in the manner prescribed by the Commission.
32. Ring Fence.
 - (a) *A Ring Fence ("the Sharyland Ring Fence") will be implemented at Sharyland Utilities LLC (referred to as "Sharyland" for purposes of this Paragraph 32) consisting of the following provisions:*
 - (i) *Sharyland Holdings, L.P. ("Sharyland Holdings"), Sharyland Utilities, L.P. and Sharyland agree that: (a) the following actions require the consent of*

Sempra and, where expressly indicated, prior Commission approval; (b) the Commission's final order in this STM docket (Docket No. 48929) will require Sempra to retain these consent rights for so long as Sempra retains an indirect ownership interest in Sharyland, absent Commission approval for modifications thereto; (c) such consent and approval requirements shall also be incorporated into the Sharyland Holdings agreement (the "LP Agreement") and made unalterable in the absence of Commission approval:

- a. Approval of Sharyland's Annual Plan.
- b. Acquiring or submitting to ERCOT a T&D Project (a) involving the establishment of a new station, (b) with an acquisition price of more than \$3 million or (c) which requires the incurrence or commitment to incur capital expenditures of more than \$3 million per fiscal year to develop a new T&D project, with certain limited exceptions identified in Section 3.2.2 of the LP Agreement.
- c. Any change in the location of Sharyland's principal place of business.
- d. Any amendment to the organizational documents, including the LP Agreement itself, which amendment shall also require prior approval of the Commission to the extent the amendment relates to any condition referenced in the Commission's final order in this STM docket.
- e. The creation of any subsidiary of Sharyland, Sharyland Holdings, or SU Investment Partners, L.P., which creation shall also require prior approval of the Commission.
- f. The issuance, transfer, sale, or disposal by Sharyland Holdings of, or the pledge or the grant of an option with respect to, any securities of Sharyland Holdings or other ownership interest in Sharyland Holdings (other than the issuance of Units in respect of Capital Contributions as provided in Section 2.5 of the LP Agreement or the issuance and forfeiture of Units as provided in Section 2.10 of the LP Agreement), which issuance, transfer, sale, or disposal shall also require prior approval of the Commission.
- g. The redemption, purchase, or other acquisition by Sharyland Holdings of any partnership interests or other equity securities of Sharyland Holdings, which

redemption, purchase, or other acquisition shall also require prior approval of the Commission.

h. The incurrence of debt at Sharyland or Sharyland Holdings, except as provided for in Sharyland's Annual Plan.

i. Sharyland Holdings or Sharyland guaranteeing any obligations other than for Sharyland Holdings or Sharyland, which guaranteeing shall also require prior approval of the Commission.

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

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

l. Any material tax elections.

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

n. Any change in audit firms.

o. Any sale, reorganization, merger or consolidation of Sharyland Holdings or Sharyland, which actions shall also require prior consent of the Commission.

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

q. Any material change in business lines, which change shall also require prior approval of the Commission.

r. The appointment of any executive officers.

s. Any material change in employees.

t. Any material changes in the compensation or employee benefits plans for executive officers.

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

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

w. Any divestiture, contribution, or acquisition of assets outside the normal course of business of operating, maintaining, or rebuilding existing assets that constitute or would constitute more than 10% of the assets of Sharyland, which shall also require prior approval of the Commission unless for the construction of assets by Sharyland for which Sharyland has received a Certificate of Convenience and Necessity. The 10% threshold in the preceding sentence shall decrease to 5% if Sharyland reaches \$500M in asset value.

x. Engaging in any projects outside of ERCOT, which engaging shall also require prior consent of the Commission.

y. The approval of dividends except for as provided in the Annual Plan or Tax Sharing Agreement.

z. Transactions between Hunt Consolidated, Inc. and its affiliates (“Hunt”) and Sharyland.

aa. Any dissolution or liquidation of Sharyland, which actions shall also require prior consent of the Commission.

bb. Any bankruptcy petition.

cc. Any Regulatory Acts as defined in the LP Agreement.

(ii) *Sharyland Holdings, Sharyland Utilities, L.P., and Sharyland agree to include in the Commission’s final order in this STM docket the following additional regulatory commitments:*

a. Sharyland will not include cross-default provisions in its debt or credit documents other than for Sharyland defaults. Under no circumstances shall any debt of Sharyland become due and payable or otherwise be rendered in default due to any cross default or similar provisions of any debt or other agreement of Sharyland Holdings or any Affiliate of Sharyland Holdings.

b. Sharyland and Sharyland Holdings LP will not include in their debt or credit documents any financial covenants or rating-agency triggers or credit metrics related to any entity other Sharyland. See Section 3.13.1 of LP Agreement, as modified in Attachment A hereto.

- c. Sharyland's debt will be limited to its regulatory debt-to-equity ratio.
- d. Sharyland will not incur any debt associated with Sempra's investment.
- e. Sharyland will not pledge assets in respect of, or guarantee, any debt or obligation of Hunt or Sempra.
- f. Sharyland will not share credit facilities with Hunt or Sempra.
- g. Sharyland's headquarters will be in Texas.
- h. Sharyland will not seek to recover any costs associated with a bankruptcy of Hunt or Sempra.
- i. Sharyland will not include goodwill in its regulatory books.
- j. No pushdown accounting of transaction at Sharyland.
- k. Sharyland will not pay dividends nor make any disbursement of cash or assets, except for contractual tax payments, if (i) such dividends or other distributions would cause Sharyland to be out of compliance with its Commission-approved debt-to-equity ratio, or (ii) the Commission has initiated a proceeding seeking to modify Sharyland's ring fence and the Commission, after notice and a hearing, enters an order restricting the payment of dividends or disbursements during the pendency of such proceeding.
- l. Sharyland and Sharyland Holdings will not own, operate, or construct capital assets outside of ERCOT without prior approval from the Commission, and will take no action to subject ERCOT to Federal Energy Regulatory Commission ("FERC") jurisdiction or otherwise impair the Commission's regulatory jurisdiction.
- m. Sharyland's assets or stock shall not be pledged by Sharyland, Sharyland Holdings, Hunt or any Hunt affiliate or Sempra or any Sempra affiliate, or any entity with a direct or indirect ownership interest in Sharyland or Sharyland Holdings, for any entity other than Sharyland.
- n. Neither Hunt, Sempra Energy, nor their respective affiliates will take any action that would subject ERCOT assets to the jurisdiction of the FERC or otherwise impair the Commission's regulatory jurisdiction, provided, however, FERC continues to have jurisdiction under sections 210, 211, and 212 of the Federal Power Act ("FPA") and

may direct transmission and interconnection services over certain existing facilities outside of ERCOT; provided further that the existing reliability and critical infrastructure standards administered by the North American Electric Reliability Corporation (“NERC”), through delegation of authority from FERC, may affect the operations of assets that are deemed part of the bulk electric system.

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

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

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

r. Sharyland will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

s. Neither Sharyland nor any affiliate will assert before the Commission or a Texas court of competent jurisdiction that the Commission is preempted pursuant to the Federal Power Act (e.g., under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to Sharyland.

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

- u. Sharyland will file a conforming LP Agreement for Sharyland Holdings in this docket 10 days prior to closing the Proposed Transactions, which conforming LP Agreement shall contain provisions that conform to this stipulation.
 - v. Sempra Texas Utilities Holdings I, LLC, SU Investment Partners, LP, and Sharyland Holdings GP, L.L.C. will adhere to all provisions in the LP Agreement and in the PUCT's order in this docket.
 - w. Sharyland's formation LLC agreement shall contain identical provisions that mirror the LP Agreement's ring-fencing provisions and will contain no provisions contrary to the provisions of the Commission order or the LP Agreement; the LLC agreement shall require that Sharyland officers have the same fiduciary duties to Sharyland as directors of a business corporation organized under Delaware law. Sharyland will not amend its organizational documents to waive those duties. Sharyland will file a conforming LLC Agreement for Sharyland Utilities, L.L.C. in this docket 10 days prior to closing the Proposed Transactions, and any amendment to the LLC Agreement shall also require prior approval of the Commission to the extent the amendment relates to any condition referenced in the Commission's final order in this STM docket.
 - x. Sharyland will file annual reports for a period of five years after closing regarding compliance with terms stated in the Commission's Order in this docket.
 - y. Sharyland will maintain a separate logo and name distinct from all affiliates.
- (b) Sharyland LP, Sharyland LLC, Hunt, and Sempra acknowledge the Commission's jurisdiction to initiate a future proceeding to modify the Sharyland Ring Fence, but Sharyland LP, Sharyland LLC, Hunt and Sempra reserve their rights to contest any other aspect of the filing. No Party waives any argument regarding whether the Sharyland Ring Fence should be modified or the scope of any modification, and all Parties reserve their rights to argue their positions in the docket, if such docket is initiated.

II.

The Signatories agree that the terms of this Stipulation are fair, reasonable, and in the public interest. The Signatories further agree to support and defend the terms of this Stipulation as set forth herein. This Stipulation has been drafted by all Signatories and is the result of negotiation,

compromise, settlement, and accommodation. The Signatories agree that the terms and conditions herein are interdependent. The various provisions of this Stipulation are not severable. None of the provisions of this Stipulation shall become fully operative unless the Commission shall have entered a final order approving this Stipulation consistent with the proposed Order. If the Commission does not accept this Stipulation as presented, or issues an order inconsistent with the terms of this Stipulation or the proposed Order, the Signatories agree that any Signatory adversely affected by that alteration has the right to withdraw from this Stipulation, thereby becoming released from its obligations arising hereunder, and to proceed as otherwise permitted by law to exercise all rights available under the law. The right to withdraw must be exercised by providing the other Signatories written notice within 20 calendar days of the date the Commission order acting on this Stipulation is filed. Failure to provide such notice within the specified time period shall constitute a waiver of the right to withdraw and acceptance of the changes to this Stipulation made by the Commission.

III.

This Stipulation is binding on each of the Signatories only for the purpose of settling the issues as set forth herein and for no other purposes. The matters resolved herein are resolved on the basis of a compromise and settlement. Except to the extent that this Stipulation expressly governs a Signatory's rights and obligations for future periods, this Stipulation shall not be binding or precedential on a Signatory outside of this proceeding except for a proceeding to enforce the terms of this Stipulation. The Signatories agree that a Signatory's support of the resolution of this docket in accordance with this Stipulation may differ from its position or testimony regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forum. Because this is a Stipulation, a Signatory is under no obligation to take the same position as set out in this Stipulation in other proceedings not referenced in this Stipulation whether those dockets present the same or a different set of circumstances. Notwithstanding any other provision herein, a Signatory's agreement to entry of a final order of the Commission consistent with this Stipulation should not be regarded as an agreement to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Stipulation.

IV.

This Stipulation contains the entire agreement among the Signatories. Moreover, this Stipulation supersedes all other written and oral exchanges or negotiations among the Signatories or their representatives with regard to the subjects contained herein.

V.

Each person executing this Stipulation represents that he or she is authorized to sign this Stipulation on behalf of the party represented. Facsimile or emailed copies of signatures are valid for purposes of evidencing this Stipulation, which may be executed in multiple counterparts.

VI.

WHEREFORE, PREMISES CONSIDERED, the Signatories respectfully request that this Honorable Commission enter an order consistent with the terms of this Stipulation.

AGREED:

ONCOR ELECTRIC DELIVERY COMPANY LLC

BY: Math Henry & / permission Mayor

SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.

BY: Leo Mendola w/ permission by
M. Bryant

SHARYLAND UTILITIES, L.P.

BY: Jim Barkley w/ permission by
Margaret R

SEMPRA ENERGY

BY: Ron Moss w/ permission by
Meyer

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

BY:  _____
Margaret Uhlig Pemberton
Division Director, Legal Services

OFFICE OF THE PUBLIC UTILITY COUNSEL

BY: Sara Ferris w/permission by Margaret R

ALLIANCE FOR RETAIL MARKETS

BY: Steve Davis w/permission by
Margaret Lind

STEERING COMMITTEE OF CITIES SERVED BY ONCOR

BY: Geoffrey Gay w/permission by
Margaret Kent

TEXAS ENERGY ASSOCIATION FOR MARKETERS

BY: Cathy Webking w/ permission by
Myant Lu

TEXAS INDUSTRIAL ENERGY CONSUMERS

BY: Kate Coleman w/ permission by
Mayant |