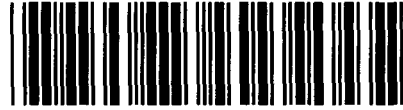


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SHARYLAND UTILITIES, L.L.C.'S
APPLICATION FOR A LIMITED
CODE OF CONDUCT WAIVER

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SHARYLAND UTILITIES, L.L.C.'S RESPONSE TO COMMISSIONER QUESTIONS

Sharyland Utilities, L.L.C. ("Sharyland") hereby responds to the Commissioners' questions adopted at the November 14, 2019 Open Meeting.

I. Introduction

Sharyland is a transmission-only utility, providing service to load-serving entities within ERCOT, but does not itself have end-use customers. It has no employees of its own; instead, it relies on Hunt Utility Services, LLC ("HUS") to provide day-to-day operations¹ and HUS, in turn, relies on Hunt Consolidated, Inc. for certain corporate support services (as described more fully below).

Sharyland is seeking a limited code of conduct waiver to permit HUS to provide certain additional corporate support services to "non-competitive" affiliates—i.e., affiliates who do not provide services or sell products in a competitive energy related market in Texas. Sharyland is not seeking to obtain a waiver for any potential transactions with competitive affiliates. Instead, Sharyland seeks the aforementioned waiver—out of an abundance of caution and consistent with Commission precedent—because the definition of "corporate support services" found in the Commission's rules could be construed as an independent prohibition on the sharing of four (4) categories of services with any affiliate that is not a regulated utility (the "Subject Services").² Today, when HUS employees spend time on services other than the Subject Services for non-competitive affiliates, HUS is able to charge these non-competitive affiliates for that time. The waiver Sharyland seeks would simply allow HUS employees to provide the Subject Services to non-competitive affiliates as well, thereby expanding the universe of services that HUS can

¹ Oncor provides transmission operator service for Sharyland pursuant to an Operating Agreement.

² See 16 Texas Admin. Code ("TAC") § 25.272(c)(4)("[S]ervices that may not be shared include engineering, purchasing of electric transmission facilities and service, transmission and distribution system operations, and marketing, unless such services are provided by a utility, or a separate affiliate created to perform such services, exclusively to affiliated regulated utilities and only for provision of regulated utility services.")

12

perform for non-competitive affiliates, and further enhancing the cost efficiency of services provided to Sharyland.

Indeed, the scope of the waiver Sharyland seeks is narrow. The attached chart illustrates that the only change in the “status quo” Sharyland seeks is to allow HUS to provide to non-competitive affiliates the Subject Services, specifically: (1) engineering, (2) purchasing of electric transmission facilities and service, (3) transmission and distribution system operations, and (4) marketing/business development³ services.⁴

The Commission has granted numerous code of conduct waivers, primarily to transmission-only utilities, in order to permit the sharing of corporate support services with both non-competitive *and* competitive affiliates.⁵ In Sharyland’s case, granting a waiver to permit HUS to provide the Subject Services to non-competitive affiliates will save ratepayers money over time, as it will allow HUS employees to charge any time they spend on the Subject Services for non-competitive affiliates to those affiliates, diverting some HUS costs away from Sharyland. Granting the waiver is consistent with the public interest and will not in any way implicate the purpose of the competitive affiliate rules, which is to “avoid potential market power abuses and cross-subsidizations between regulated and competitive activities”⁶

³ In its original application, Sharyland listed marketing and business development as two separate categories of Subject Services, but in fact they should be viewed together as one of the four categories listed in the Rule as services that, absent a waiver, may not be shared with affiliates that are not regulated utilities. See answer to Question 15 below for further discussion of this issue.

⁴ See Attachment A.

⁵ See, e.g., *Application of Texas-New Mexico Power for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344*, Docket No. 22349, Order at 131-132 (Oct. 5, 2001); *Application of Electric Transmission Texas, LLC for a Certificate of Convenience and Necessity, for Regulatory Approvals, and Initial Rates*, Docket No. 33734, Order on Rehearing at Finding of Fact Nos. 79-94 (Dec. 21, 2007); *Application of Lone Star Transmission, LLC for Approval of Its Code of Conduct and Organizational Structure*, Docket No. 36890, Order (Aug. 14, 2009); *Application of Wind Energy Transmission Texas, LLC for a Limited Waiver with Respect to Its Code of Conduct*, Docket No. 38568, Order (Nov. 23, 2010); *Application of Lone Star Transmission, LLC for a Limited Waiver with Respect to Its Code of Conduct*, Docket No. 39551, Order (Sept. 30, 2011); *Application of Cross Texas Transmission, LLC to Establish Initial Rates and Tariffs*, Docket No. 40604, Order at Conclusion of Law No. 8 (Jan. 16, 2013); *Application of Lone Star Transmission, LLC for a Limited Code of Conduct Waiver*, Docket No. 41503, Order (Aug. 30, 2013); *Application of Lone Star Transmission, LLC for a Limited Code of Conduct Waiver*, Docket No. 45011, Order (Dec. 4, 2015); *Application of Cross Texas Transmission, LLC for a Limited Code of Conduct Waiver*, Docket No. 45980, Order (Nov. 1, 2016).

⁶ Public Utility Regulatory Act, Tex. Util. Code § 39.157(d) (West 2007 & Supp. 2019) (“PURA”).

II. Responses to Commissioner Questions

1. What are the specific corporate support services Hunt Utility Services will, or could provide to: (a) Sharyland *non-competitive affiliates*, as that term is used in the application; and (b) other affiliates within the state, as referenced on page 5 of the application?

As an initial matter, the reference to “other affiliates . . . within the state” on page 5 of the application was not intended to describe a category of affiliates separate from “*non-competitive affiliates*” but rather refers to any non-competitive affiliates of Sharyland other than the Southline project that was used as an illustrative example in the application. Sharyland regrets any confusion caused by that language.

Consistent with Sharyland’s Commission-approved Code of Conduct, HUS provides all corporate support services to Sharyland and is permitted to and sometimes does provide to both non-competitive and competitive Sharyland affiliates the corporate support services that are specifically allowed to be shared under the Code of Conduct rule, including those enumerated in the first two sentences of Section 25.272(c)(4): (1) human resources, (2) procurement,⁷ (3) information technology, (4) regulatory services, (5) administrative services, (6) real estate services, (7) legal services, (8) accounting, (9) environmental services, (10) research and development, (11) internal audit, (12) community relations, (13) corporate communications, (14) financial services, (14) financial planning and management support, (15) corporate services, (16) corporate secretary, (17) lobbying, and (18) corporate planning.

However, HUS currently does not provide the four Subject Services to any Sharyland affiliates, whether non-competitive or competitive. HUS has refrained from doing so in light of the language in the third sentence of Section 25.272(c)(4), which suggests that these services may only be provided “exclusively to affiliated regulated utilities.” Sharyland’s request for a waiver would simply allow HUS to provide these Subject Services both to Sharyland and Sharyland’s non-competitive affiliates (but not Sharyland’s competitive affiliates). By way of example, if Hunt Realty Investments, a non-competitive affiliate that is developing a mixed use property in Frisco,

⁷ Procurement is an allowed shared service, but “purchasing of electric transmission facilities and service” may not be shared with affiliates that are not regulated utilities. 16 TAC § 25.272(c)(4). Because “electric transmission facilities” could be interpreted broadly to mean the purchase of component parts of facilities, such as poles or meters, Sharyland seeks a waiver of the prohibition on providing this service to ensure that HUS can provide procurement services to Sharyland and its non-competitive affiliates without concern for whether the procurement services fall within the prohibition on “purchasing of electric transmission facilities and service.”

Texas, were to ask HUS for engineering support for that project, the waiver would allow HUS to provide that service. As another hypothetical example, if Hunt Refining Company, a non-competitive affiliate of Sharyland, were to ask HUS to assist with procuring equipment for a private use network at its Tuscaloosa, Alabama refinery, HUS would be able to provide that assistance without fear of violating the prohibition on sharing “purchasing of electric transmission facilities and service” with a non-competitive affiliate that is not a regulated utility.

The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to those other affiliates, thereby reducing costs for Sharyland ratepayers.

2. Which *non-competitive affiliates* will or could receive corporate support services from Hunt Utility Services?

Consistent with Sharyland’s Commission-approved code of conduct, HUS is permitted to and sometimes does provide to both non-competitive and competitive Sharyland affiliates the corporate support services that are specifically allowed to be shared under the Code of Conduct rule, including those enumerated in the first two sentences of Section 25.272(c)(4). However, as mentioned above, HUS currently does not provide the Subject Services to any affiliate of Sharyland. Like prior waivers granted to other transmission-only utilities, Sharyland is seeking a waiver to permit HUS to provide the Subject Services to any Sharyland non-competitive affiliate, while continuing to provide the same services to Sharyland.⁸ The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to affiliates other than Sharyland, thereby reducing costs for Sharyland ratepayers.

3. Does Hunt Utility Services provide, or plan to provide, corporate support services to any Sharyland competitive affiliates within Texas?

Consistent with the safeguards outlined in Sharyland’s Commission-approved Code of Conduct, HUS is permitted to and sometimes does provide to both non-competitive and competitive Sharyland affiliates the corporate support services that are specifically allowed to be shared under the Code of Conduct rule, including those enumerated in the first two sentences of

⁸ See, e.g., Docket No. 45011, Order (Dec. 4, 2015); Docket No. 45980, Order (Nov. 1, 2016).

Section 25.272(c)(4). Sharyland’s application does not seek Commission approval of this existing practice nor does it seek approval for HUS to provide the Subject Services to competitive affiliates, because HUS does not intend to provide the Subject Services to competitive affiliates. Sharyland is seeking a waiver that allows HUS to provide the Subject Services in the future to any non-competitive affiliate, while continuing to provide the Subject Services to Sharyland. The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to affiliates other than Sharyland, thereby reducing costs for Sharyland ratepayers.

4. What are the specific corporate support services Hunt Consolidated, Inc. will, or could, provide to: (a) Sharyland *non-competitive affiliates*, as that term is used in the application; and (b) other affiliates within the state, as referenced on page 5 of the application.

As explained above, the reference to “other affiliates . . . within the state” on page 5 of the application is not a category of affiliates separate from *non-competitive affiliates* but rather, it refers to any non-competitive affiliates of Sharyland other than the Southline project that was used as an illustrative example in the application.

Hunt Consolidated, Inc., directly or through another non-competitive affiliate, is permitted to and does provide to Sharyland affiliates, whether competitive or non-competitive, any corporate support services, consistent with the safeguards outlined in Sharyland’s Commission-approved Code of Conduct. Sharyland’s application does not seek Commission approval of this existing practice. However, no affiliate other than HUS provides the Subject Services to Sharyland. Sharyland is seeking only a waiver that allows HUS to provide the Subject Services in the future to any non-competitive affiliate, while continuing to provide such services to Sharyland. Today, only HUS provides the Subject Services to Sharyland and HUS does not provide the Subject Services to any other affiliate. While Hunt Consolidated, Inc. may provide the Subject Services (e.g., engineering) to Sharyland’s affiliates, it does not provide the Subject Services to Sharyland, and the waiver does not seek to change this practice. The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to affiliates other than Sharyland, thereby reducing costs for Sharyland ratepayers.

5. Which *non-competitive affiliates* will or could receive corporate support services from Hunt Consolidated, Inc.?

Because Hunt Consolidated, Inc. does not provide any of the Subject Services to Sharyland, Hunt Consolidated, Inc. may provide any corporate support service any non-competitive affiliate, consistent with the safeguards outlined in Sharyland's Commission-approved Code of Conduct. Sharyland's application does not seek Commission approval of this existing practice. No affiliate other than HUS provides the Subject Services to Sharyland. Sharyland is seeking only a waiver that allows HUS to provide the Subject Services in the future to any non-competitive affiliate, while continuing to provide the Subject Services to Sharyland. Today, only HUS provides the Subject Services to Sharyland and HUS does not provide the Subject Services to any other affiliate. While Hunt Consolidated, Inc. may provide the Subject Services (e.g., engineering) to Sharyland's affiliates, it does not provide the Subject Services to Sharyland, and the waiver does not seek to change this practice. The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to affiliates other than Sharyland, thereby reducing costs for Sharyland ratepayers.

6. Does Hunt Consolidated, Inc. provide, or plan to provide, corporate support services to any Sharyland competitive affiliates within Texas?

Because Hunt Consolidated, Inc. does not provide any of the Subject Services to Sharyland, Hunt Consolidated, Inc., directly or through another non-competitive affiliate, is permitted to and does provide to Sharyland affiliates, whether competitive or non-competitive, any corporate support services, consistent with the safeguards outlined in Sharyland's Commission-approved Code of Conduct. Sharyland's application does not seek Commission approval of this existing practice. No affiliate other than HUS provides the Subject Services to Sharyland. Sharyland is seeking only a waiver that allows HUS to provide the Subject Services in the future to any non-competitive affiliate, while continuing to provide such services to Sharyland. The purpose of this waiver is to allow HUS employees to provide the Subject Services for non-competitive affiliates as time permits and charge the applicable portion of HUS costs to affiliates other than Sharyland, thereby reducing costs for Sharyland ratepayers.

7. What code of conduct compliance risks could arise from authorizing Sharyland to share transmission and distribution operations, engineering, marketing, business development, and electric transmission facilities and service purchasing services provided by Hunt Utility Services with Sharyland's non-competitive affiliates?

Sharyland does not believe that additional code of conduct compliance risks will arise as the result of permitting HUS to provide the Subject Services to both Sharyland and Sharyland's non-competitive affiliates. As discussed elsewhere in these responses, HUS is already allowed to provide to both non-competitive and competitive Sharyland affiliates the corporate support services that are specifically allowed to be shared under the Code of Conduct rule, including those enumerated in the first two sentences of Section 25.272(c)(4), and Sharyland has code of conduct safeguards in place to mitigate compliance risks. Provision of the four additional Subject Services to *non-competitive* affiliates only should not create any additional compliance risks. Neither will granting the requested waiver result in any risk of potential "market power abuses" or "cross-subsidizations between regulated and competitive activities."⁹

PURA § 39.157(g) provides that the "sharing of corporate support services in accordance with this section may not allow or provide a means for the transfer of confidential information from a utility to an affiliate, create the opportunity for preferential treatment or an unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates." None of Sharyland's non-competitive affiliates serve Texas's electricity consumers; thus, granting the waiver will not create a risk of "preferential treatment or an unfair competitive advantage" or "customer confusion." Although a theoretic risk of a transfer of Sharyland's confidential information or cross-subsidization might exist as a result of sharing the four Subject Services with non-competitive affiliates, Sharyland's code of conduct, PURA, and the Commission's rules are adequate to address these issues. As described in response to Question 10, Sharyland has numerous safeguards in place to ensure compliance with the code of conduct. Moreover, instead of creating risks of cross-subsidization, Sharyland believes permitting HUS to provide the Subject Services to non-competitive affiliates will reduce ratepayer costs, as efficiencies are created and employee time is charged to non-competitive affiliates rather than Sharyland.

⁹ PURA § 39.157(d).

8. What code of conduct compliance risks could arise from authorizing Sharyland to share transmission and distribution operations, engineering, marketing, business development, and electric transmission facilities and service purchasing services provided by Hunt Consolidated, Inc. with Sharyland's non-competitive affiliates?

Sharyland is not requesting a waiver to permit Hunt Consolidated, Inc. to provide the Subject Services to any of Sharyland's non-competitive affiliates. Please see the response to Question 4.

9. What entities, if any, will provide corporate support services to non-competitive affiliates under Sharyland's requested limited code of conduct waiver?

Sharyland's request only seeks a waiver with respect to HUS providing the Subject Services to non-competitive affiliates while continuing to provide them to Sharyland. For clarity, Sharyland notes that any Hunt entity other than HUS is permitted to provide any corporate support services to *non-competitive affiliates*, consistent with the safeguards outlined in Sharyland's Commission-approved Code of Conduct. Sharyland's application does not seek Commission approval of this existing practice.

10. In the application, Sharyland identified safeguards that have been implemented to prevent violations of its code of conduct. Please provide additional details regarding the safeguards and how they prevent violations of its code of conduct.

Sharyland's code of conduct is designed to protect the utility's information so that affiliates do not gain access to confidential information that would create an opportunity for preferential treatment or an unfair competitive advantage, lead to customer confusion, or create opportunities for cross-subsidization of an affiliate. Since the completion of the separation of Sharyland Distribution & Transmission Services, L.L.C. (SDTS) and Sharyland, and the merger between SDTS and Oncor Electric Delivery Company LLC (Oncor), HUS provides the day-to-day operations of Sharyland as an affiliated shared services company. Sharyland has no employees of its own. Accordingly, employees of HUS, the affiliated shared services company conducting the day-to-day operations of Sharyland, must comply with Sharyland's code of conduct. Each employee has signed a statement acknowledging that the code is a set of rules that apply to the interactions between Sharyland and its affiliates to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities and that compliance is binding on them

as a condition of employment. The acknowledgment also affirms that Sharyland's confidential information must not be shared with Hunt employees engaged in competitive affiliate activities, or any other entity, unless disclosure is permitted by Sharyland, the code, and Commission rules.

Sharyland conducts annual training on its code of conduct. All employees of HUS, Hunt employees engaged in the provision of affiliate transactions with HUS or Sharyland, and Hunt employees engaged in the operations of competitive affiliates are required to take the annual training.

The offices of HUS employees are located on a separate floor from employees who are engaged in the day-to-day operations of competitive affiliates.

Sharyland's documents and files are stored in drives that are not accessible except to those who need access to perform Sharyland job functions.

Sharyland's Vice President of Regulatory and Sharyland's President provide counseling on code of conduct questions as they arise.

Sharyland and HUS follow the law and the Commission's rules regarding allocation of costs for shared services so that the business activities of any affiliate will not be subsidized with revenues from Sharyland. Costs for shared services are either directly charged or are allocated. In addition, Sharyland's affiliate transactions will be subject to review in its next base rate case.

11. Does Sharyland intend to implement any additional safeguards that specifically address the code of conduct compliance risks implicated by a grant of Sharyland's requested limited waiver? If not, please explain how Sharyland's current safeguards sufficiently address the risks posed by the approval of the limited code of conduct waiver.

Sharyland believes that its existing safeguards are sufficient to ensure compliance with the code of conduct, including after a grant of the requested waiver. Sharyland is seeking the waiver so that HUS, which provides support services to Sharyland in the areas of transmission and distribution operations, engineering, marketing/business development, and purchasing of electric transmission facilities and service, could also provide such services to Sharyland's non-competitive affiliates.

No request is being made to allow the sharing of these services with Sharyland's competitive affiliates. Therefore, there is no additional risk of a competitive affiliate "gaining access to information in a manner that would allow or provide a means to transfer confidential information from a utility to an affiliate, create an opportunity for preferential treatment or unfair

competitive advantage, [or] lead to customer confusion.”¹⁰ As stated in the response to Question 10, Sharyland will continue to follow the law and the Commission’s rules regarding allocation of costs for shared services to prevent “significant opportunities for cross-subsidization of affiliates.”¹¹

Sharyland notes that in Docket No. 45980, Cross Texas Transmission (CTT) requested a waiver to allow the reciprocal provision of engineering and transmission system operations services between CTT and its non-competitive affiliates, as well as control room services.¹² The Order in that case includes an ordering paragraph stating that “Cross Texas shall implement the safeguards and protections necessary to ensure there is no sharing of confidential Cross Texas information with competitive affiliates and provide that there is no subsidization of any non-competitive affiliate by ratepayers in ERCOT.”¹³

Sharyland believes that the Proposed Order filed in this Docket on November 13 appropriately addresses safeguards for Sharyland at Finding of Fact 12.

12. What employees will provide corporate support services under Sharyland's requested limited code of conduct waiver? For each entity that would provide corporate support services, please identify the number of employees that would provide such services, the employee titles, and division or other location within the organizational structure.

The corporate support services that are the subject of Sharyland’s waiver request include transmission and distribution operations, engineering, marketing and business development, and purchasing of electric transmission facilities and service. Sharyland has requested that HUS be allowed to provide these services to other non-competitive affiliates of Sharyland. HUS is the entity that would provide these corporate support services to Sharyland’s non-competitive affiliates. Currently, HUS has ten employees who could provide such services to non-competitive affiliates. These include employees in the Transmission Planning Department: Director of Transmission Planning and Sr. Transmission Planning Engineer and employees in the Operations and Maintenance department: Sr. Vice President of Operations, Director of Operations, Director

¹⁰ 16 TAC § 25.272 (d)(2).

¹¹ *Id.*

¹² Docket No. 45980, Application at 4 (May 26, 2016).

¹³ Docket No. 45980, Ordering Paragraph No. 2 (Nov. 1, 2016).

of Systems and Controls, Consulting Engineer – Transmission Design and Commissioning, Vice President – Construction, Principal Engineer – Transmission Maintenance & Commissioning, Maintenance Coordinator, and SCADA Technician III. However, the waiver Sharyland is requesting would not be limited to specific people or job positions but would allow HUS to provide the Subject Services regardless of the specific employees or roles delivering the services.

13. What specific corporate support services would Hunt Utility Services and Hunt Consolidated, Inc. provide to Southline Transmission, L.L.C. to facilitate the utility’s construction of the Southline Transmission Project if the Commission approved Sharyland’s application?

Hunt Consolidated, Inc., whether directly or through its affiliates, may provide any necessary corporate support services to Southline, with or without the waiver. Absent the waiver, HUS may provide to Southline any corporate support services other than the Subject Services. With the waiver, which only applies to the Subject Services, HUS could provide to Southline any permitted shared corporate support services, as it may do today, plus the Subject Services.

14. Why is a more narrowly tailored waiver of the protections of PURA § 39.157(i)(2) and 16 TAC § 25.272(c)(4) incapable of achieving Sharyland’s objectives with this proposed limited code of conduct waiver?

Sharyland’s request is limited to sharing transmission and distribution operations, engineering, marketing/business development, and electric transmission facilities and service purchasing services, with its non-competitive affiliates. Although the Commission has previously granted several waivers to permit other utilities to share corporate support services with competitive affiliates, Sharyland has narrowed its request to exclude its competitive affiliates. Sharyland believes this narrowing to exclude competitive affiliates is significant, as it ensures that none of the transactions subject to the waiver will result in transactions the competitive affiliate rules are expressly designed to prohibit, namely “market power abuses and cross-subsidizations between regulated and competitive activities.”¹⁴ Sharyland’s request is also limited to a single provider of services: HUS.

Sharyland notes that the Commission has previously granted general waivers to transmission-only utilities to provide and receive engineering and transmission and distribution

¹⁴ PURA § 39.157(d).

operations services with all of their non-competitive affiliates. In Docket No. 45011, the Commission granted Lone Star Transmission, LLC a waiver to permit it to provide transmission system operations and engineering services to any of Lone Star's non-competitive affiliates.¹⁵ In the most recent code of conduct waiver docket, the Commission granted Cross Texas Transmission, LLC's request for a waiver to permit it to: (1) provide transmission systems operations and engineering services to its non-competitive affiliates; (2) receive transmission system operations and engineering services from its non-competitive affiliates; and (3) provide control room services to its non-competitive affiliates.¹⁶

The Commission has also granted waivers to permit the sharing of engineering services with competitive affiliates and the receipt of engineering, marketing/business development, and electric transmission facilities and service purchasing services from a competitive affiliate.¹⁷ Sharyland is seeking similar treatment, albeit only with respect to its non-competitive affiliates. It would be unnecessarily burdensome and administratively inefficient to require a utility to apply for a code of conduct waiver for each and every transaction, especially here, where the transactions contemplated will not result in market power abuses or cross-subsidization between regulated and competitive activities. This is especially true where Sharyland carries the burden to demonstrate that its affiliate costs are reasonable and necessary.

15. In the application, Sharyland identifies business development as one of the corporate support services to be provided by Hunt Utility Services to Sharyland and Sharyland's non-competitive affiliates. Please provide more details on what specific services are encompassed within business development, as that term is used in Sharyland's application.

In Section 25.272(c)(4), "research and development unrelated to marketing activity and/or business development for the competitive affiliate regarding its services and products" is enumerated as one of the categories of corporate support services that may be shared among affiliates. This language suggests that "marketing" and "business development" are interchangeable terms, and the Commission confirmed that interpretation when it adopted the

¹⁵ Docket No. 45011, Order at Finding of Fact No. 6, Conclusion of Law No. 6 (Dec. 4, 2015).

¹⁶ Docket No. 45980, Order at Finding of Fact No. 1, Ordering Paragraph No. 1 (Nov. 1, 2016).

¹⁷ See Docket No. 36890, Order at Ordering Paragraph No. 4 (Aug. 14, 2009); Docket No. 39551, Order at Finding of Fact No. 3 (Sept. 30, 2011); Docket No. 41503, Order at Finding of Fact Nos. 3-5, Conclusion of Law No. 5 (Aug. 30, 2013).


original Code of Conduct rule in 1999, stating, “The commission agrees that marketing and business development regarding products and services are virtually the same activity.”¹⁸ Because marketing is enumerated as a service that may not be shared with affiliates that are not regulated utilities, HUS does not provide marketing or business development services to Sharyland’s affiliates today but is requesting a waiver to do so for non-competitive affiliates in the future. As an example, if Hunt Power, a non-competitive affiliate, requested that HUS provide support for a project to develop transmission outside of Texas and participate in meetings to enlist partners for that project, that activity could be characterized as “marketing” or “business development” for a non-competitive affiliate. The waiver would allow HUS to provide that support.

16. Specify how Hunt Utility Services and Hunt Consolidated, Inc. are affiliates of Sharyland.

Sharyland is owned 50% by entities controlled by Hunter L. Hunt and other members of the family of Ray L. Hunt and 50% by entities controlled by Sempra Energy. Hunt Consolidated, Inc. indirectly (through its subsidiaries) holds a portion of the Hunt family’s interest in Sharyland. HUS is an indirect wholly-owned subsidiary of HCI and, as discussed above, manages and operates Sharyland pursuant to a shared services agreement. HUS does not own an interest in Sharyland.

Dated: November 26, 2019

Respectfully submitted,

 *By Permission SKM*

Lino Mendiola

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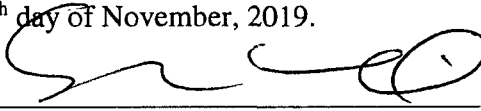
¹⁸ 24 Tex. Reg. 11278 (Dec. 17, 1999).

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Attorneys for Sharyland Utilities, L.L.C.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing instrument was served on all parties of record by electronic and/or first class U.S. mail this 26th day of November, 2019.



Sarah K. Merrick

SERVICE PROVIDER	PRE-WAIVER RECIPIENT OF SERVICES	POST-WAIVER RECIPIENT OF SERVICES
<p>HUS</p>	<p><u>To Sharyland:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards</p> <p><u>To Non-Competitive Affiliates:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards <u>except</u> (1) engineering, (2) purchasing of electric transmission facilities and service, (3) transmission and distribution system operations, and (4) marketing and business development</p> <p><u>To Competitive Affiliates:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards <u>except</u> (1) engineering, (2) purchasing of electric transmission facilities and service, (3) transmission and distribution system operations, and (4) marketing and business development</p>	<p><u>To Sharyland:</u> No change</p> <p><u>To Non-Competitive Affiliates:</u> All Corporate Support Services, in accordance with Code of Conduct Safeguards</p> <p><u>To Competitive Affiliates:</u> No change</p>
<p>Hunt Consolidated, Inc.</p>	<p><u>To Sharyland:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards <u>except</u> (1) engineering, (2) purchasing of electric transmission facilities and service, (3) transmission and distribution system operations, and (4) marketing and business development</p> <p><u>To Non-Competitive Affiliates:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards</p> <p><u>To Competitive Affiliates:</u> All Corporate Support Services in accordance with Code of Conduct Safeguards</p>	<p><u>To Sharyland:</u> No change</p> <p><u>To Non-Competitive Affiliates:</u> No change</p> <p><u>To Competitive Affiliates:</u> No change</p>

* The chart reflects services that are permitted to be shared before and after the requested waiver; however, the chart is not intended to suggest that all of the listed services will be provided to every listed affiliate, whether non-competitive or competitive.