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DOCKET NO. 49689

SHARYLAND UTILITIES, L.L.C.'S § PUBLIC UTILITY COMMISSION
APPLICATION FOR A LIMITED CODE §
OF CONDUCT WAIVER § OF TEXAS

ORDER

This Order addresses the application of Sharyland Utilities, L.L.C. for approval of a limited code of conduct waiver to allow the company to share the corporate support services it currently receives from Hunt Utility Services with Sharyland's non-competitive affiliates. The Commission approves Sharyland's application for a limited waiver of its code of conduct.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Sharyland is a foreign limited liability company registered with the Texas secretary of state on May 16, 2019, under filing number 803319844.
2. Hunt Utility Services is an indirect subsidiary of Hunt Consolidated, Inc.
3. Sharyland receives corporate support services from Hunt Utility Services, which, in turn, relies on its parent company Hunt Consolidated to provide some of those services to Sharyland.

Application

4. On June 27, 2019, Sharyland filed an application for approval of a limited waiver to its code of conduct.
5. Sharyland's code of conduct was originally approved by the Commission as part of Sharyland's unbundled cost of services proceeding in Docket No. 22348.¹
6. Sharyland has not previously sought any waivers to its approved code of conduct.

¹ Application of Sharyland Utilities for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344, Docket No. 22348, Order at 51 (Oct. 4, 2001).

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7. Consistent with Sharyland's code of conduct, Hunt Utility Services currently provides all corporate support services to Sharyland and relies on Hunt Consolidated for certain corporate support services as the term is defined in PURA² § 39.157(i)(2) and 16 Texas Administrative Code (TAC) § 25.272(c)(4).
8. Hunt Utility Services also provides corporate support services in the areas of transmission and distribution operations, engineering, marketing and business development, and purchasing of electric transmission facilities and service to Sharyland. Hunt Consolidated does not provide these services to Sharyland.
9. Hunt Utility Services does not currently provide services in the areas of transmission and distribution operations, engineering, marketing and business development, and purchasing of electric transmission facilities and service to any Sharyland affiliates, whether non-competitive or competitive.
10. For the purposes of this proceeding, Sharyland used the term *non-competitive affiliates* to refer to affiliates who do not provide services or sell products in a competitive energy-related market in Texas.
11. Sharyland is seeking a waiver to permit Hunt Utility Services to provide services in the areas of transmission and distribution operations, engineering, marketing and business development, and purchasing of electric transmission facilities and service to Sharyland's non-competitive affiliates.
12. By allowing Hunt Utility Services to provide those same corporate support services to Sharyland's non-competitive affiliates, the costs of such services for Texas ratepayers may be reduced because Sharyland will be charged for only the share of the services that Hunt Utility Services performs for Sharyland.
13. Hunt Utility Services will properly charge Sharyland for all activities performed according to the methodology for affiliate charges approved by the Commission in Sharyland's last full rate case.³

² Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016.

³ *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate*, Docket No. 41474, Order (Jan. 23, 2014).

14. Sharyland will continue to implement code of conduct safeguards, such as:
 - (a) ensuring that personnel do not act as a conduit for confidential information among competitive affiliates and Sharyland by or through Hunt Utility Services;
 - (b) maintaining physically separated office spaces for Sharyland and Texas competitive affiliates;
 - (c) restricting access to the information systems of Sharyland;
 - (d) instituting code of conduct training for all Hunt Utility Services and Texas competitive affiliate employees;
 - (e) maintaining strict employee policies regarding the sharing of confidential information; and
 - (f) implementing affiliate billing processes consistent with Commission standards.
15. Sharyland will continue to implement safeguards and observe restrictions that ensure the sharing of corporate support services do not:
 - (a) allow or provide a means for the transfer of confidential information from a utility to an affiliate;
 - (b) create the opportunity for preferential treatment or an unfair competitive advantage;
 - (c) lead to customer confusion; or
 - (d) create significant opportunities for cross-subsidization of affiliates.
16. On August 19, 2019, Commission Staff recommended that the Commission grant Sharyland's application for a limited waiver to its code of conduct.

Notice

17. Sharyland provided notice of the application to all parties of record in Docket No. 48929⁴ and the Office of Public Utility Counsel.

Informal Disposition

18. More than 15 days have passed since the completion of notice provided in this docket.
19. No person filed a protest or motion to intervene.
20. Sharyland and Commission Staff are the only parties to this proceeding.
21. No party requested a hearing and no hearing is needed.
22. Commission Staff recommended approval of the petition.
23. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has jurisdiction over this matter under PURA §§ 14.001, 14.002, 14.051, and 39.157.
2. Sharyland is a public utility as defined in PURA § 11.004(1) and an electric utility as defined in PURA § 31.002(6).
3. Under PURA § 39.157(a), the Commission shall monitor market power associated with the generation, transmission, distribution, and sale of electricity in the state of Texas.
4. Under PURA § 39.157(g), Sharyland may not, through the sharing of corporate support services:
 - (a) allow or provide a means for the transfer of confidential information from a utility to an affiliate;
 - (b) create the opportunity for preferential treatment or an unfair competitive advantage;
 - (c) lead to customer confusion; or

⁴ *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, Docket No. 48929, Order (May 9, 2019).*

- (d) create significant opportunities for cross-subsidization of affiliates.
5. Under PURA § 39.157(i)(1) and 16 TAC § 25.272(c)(2), a competitive affiliate is defined as an affiliate of a utility that provides services or sells products in a competitive energy-related market in the state of Texas, to the extent those services are energy-related.
 6. The definition of corporate support services found in 16 TAC § 25.272(c)(4) prohibits the sharing of “engineering, purchasing of electric transmission facilities and service, transmission and distribution system operations, and marketing,” unless those services are shared exclusively with “affiliated regulated utilities and only for provision of regulated utility services.”
 7. Under 16 TAC § 25.272(i)(1), Sharyland must maintain a Commission-approved code of conduct governing transactions between itself and its affiliates.
 8. The requested limited waiver of Sharyland’s code of conduct will not compromise the public interest, in satisfaction of PURA § 39.157(d)(7) and 16 TAC § 25.272(d)(2).
 9. Notice of the application was provided in accordance with 16 TAC §§ 22.54(a) and 22.55.
 10. The Commission processed this docket in accordance with the requirements of PURA, the Administrative Procedure Act,⁵ and Commission rules.
 11. The requirements for informal disposition of 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

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

1. Sharyland’s application for a limited waiver of its code of conduct is approved.
2. Hunt Utility Services may provide corporate support services in the areas of transmission and distribution operations, engineering, marketing, business development, and purchasing of electric transmission facilities and service, which it

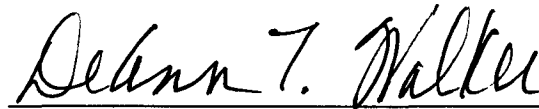
⁵ Tex. Gov’t Code ch. 2001.

currently provides to Sharyland, to Sharyland's non-competitive affiliates as they are defined in this Order.

3. Within 15 days of the signing of this Order, Sharyland must file with the Commission a clean record copy of its updated code of conduct to be stamped *Approved* and retained by Central Records.
4. All other motions and any other requests for general or specific relief, if not expressly granted in this Order, are denied.

Signed at Austin, Texas the 22nd day of January 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

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