



Control Number: 49689



Item Number: 9

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OPEN MEETING COVER SHEET

CORRECTION MEMO

MEETING DATE: November 14, 2019
DATE DELIVERED: November 13, 2019
AGENDA ITEM NO.: 17
CAPTION: *Docket No. 49689 – Application of Sharyland Utilities, L.L.C. for a Limited Code of Conduct Waiver*
DESCRIPTION: Corrections to Proposed Order

Distribution List:
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DeAnn T. Walker
Chairman
Arthur C. D'Andrea
Commissioner
Shelly Botkin
Commissioner
John Paul Urban
Executive Director



Greg Abbott
Governor

Public Utility Commission of Texas

TO: DeAnn T. Walker, Chairman
Arthur C. D'Andrea, Commissioner
Shelly Botkin, Commissioner

All Parties of Record

FROM: Christopher Oakley *CO*
Administrative Law Judge

RE: **Open Meeting of November 14, 2019**
Docket No. 49689 – *Application of Sharyland Utilities, L.L.C. for a Limited Code of Conduct Waiver*

DATE: November 13, 2019

CORRECTIONS TO PROPOSED ORDER

On October 16, 2019, a proposed order was issued in the above-referenced docket. The Commission is currently scheduled to consider this docket at an open meeting to begin at 9:30 a.m. on Thursday, November 14, 2019 at the Commission's offices, 1701 North Congress Avenue, Austin, Texas.

On November 1, 2019, Sharyland Utilities proposed corrections to the proposed order.

The administrative law judge finds the corrections appropriate and the following corrections have been made to the order:

Findings of Fact No.8. and 10 are corrected as follows:

8. ~~As defined by Sharyland's code of conduct,~~ "Non-competitive affiliates" are Sharyland affiliates who are not "competitive affiliates" as that term is defined under PURA § 39.157(i) and 16 Texas Administrative Code (TAC) § 25.272(c) because they do not provide services or sell products in a competitive energy-related market in Texas.

10. By allowing HUS to provide those same corporate ~~customer~~ support services to Sharyland's non-competitive affiliates, the costs of such services for Texas ratepayers will be reduced because Sharyland will be charged for only its share of services

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DOCKET NO. 49689

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

PROPOSED 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 (HUS) with Sharyland's non-competitive affiliates. The Commission approves the application.

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. HUS is an indirect subsidiary of Hunt Consolidated, Inc. (HCI).
3. Sharyland receives corporate support services from HUS, which, in turn, relies on its parent company HCI 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).*

7. Consistent with Sharyland's code of conduct, HCI and HUS currently provide certain corporate support services to Sharyland and Sharyland's competitive and non-competitive affiliates, which may include the areas of human resources, procurement, information technology, regulatory services, administrative services, real estate services, legal services, accounting, environmental services, research and development unrelated to marketing activity and business development for the competitive affiliates regarding its services and products, internal audit, community relations, corporate communications, financial services, financial planning and management support, corporate services, corporate secretary, lobbying, and corporate planning.
8. “Non-competitive affiliates” are Sharyland affiliates who are not “competitive affiliates” as that term is defined under PURA² § 39.157(i) and 16 Texas Administrative Code (TAC) § 25.272(c) because they do not provide services or sell products in a competitive energy-related market in Texas.
9. Sharyland is seeking a waiver to permit HUS, which currently provides corporate support services to Sharyland in the areas of transmission and distribution operations, engineering, marketing, business development, and purchasing of electric transmission facilities and service, to also provide those services to Sharyland's non-competitive affiliates.
10. By allowing HUS to provide those same corporate support services to Sharyland's non-competitive affiliates, the costs of such services for Texas ratepayers will be reduced because Sharyland will be charged for only its share of services.
11. HUS will properly charge Sharyland for all activities performed consistent with 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 §§ 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).

12. Sharyland will continue to implement code of conduct safeguards, such as: (a) ensuring that personnel do not act as a conduit for confidential information between competitive affiliates and Sharyland by or through HUS; (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 HUS 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.
13. 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.
14. On August 19, 2019, Commission Staff recommended that the Commission grant Sharyland's application for a limited waiver to its code of conduct.

Notice

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

Informal Disposition

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

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).*

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 (d) create significant opportunities for cross-subsidization of affiliates.
5. Under PURA § 39.157(i)(1) and 16 TAC § 15.272(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. HUS 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 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 is required to file a clean record copy of its updated code of conduct to be stamped *Approved*.
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 _____ day of November 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER

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⁵ Tex. Gov't Code ch. 2001.

