



# **Code of Conduct for Electric Utilities and Affiliates**

Compliance Manual

1/22/2020

**CODE OF CONDUCT  
COMPLIANCE MANUAL**

**TABLE OF CONTENTS**

I.	GENERAL POLICY .....	1
A.	General.....	1
B.	Waivers.....	1
C.	Definitions.....	1
D.	Applicability of Compliance Manual.....	2
E.	Affiliate Compliance Officer .....	2
II.	SEPARATION .....	2
A.	Separate and Independent Entities .....	2
B.	Sharing of Office Space.....	2
C.	Separate Books & Records .....	3
D.	Limited Credit Support.....	3
E.	Sharing of Employees, Facilities, or Other Resources .....	3
F.	Sharing of Officers and Directors, Property, Equipment, Computer Systems, Information Systems, and Corporate Support Services .....	3
III.	EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS.....	4
A.	General.....	4
B.	Process to Follow .....	5
IV.	CORPORATE SUPPORT SERVICES .....	5
A.	General.....	5
B.	Permitted Corporate Support Services.....	5
V.	TRANSACTIONS BETWEEN SHARYLAND AND AFFILIATES.....	6
A.	General.....	6
B.	Sale of Products or Services by Sharyland .....	6
C.	Purchase of Products, Services or Assets by Sharyland .....	6
D.	Transfer of Assets .....	6
VI.	TRANSACTIONS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES.....	6
A.	General.....	6
B.	Products or Services Purchased by Sharyland from a Competitive Affiliate ...	6

	C.	Transfer of Assets .....	7
VII.		REQUIREMENTS REGARDING CONTRACTS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES .....	7
	A.	Purpose .....	7
	B.	Competitive Bidding.....	7
	C.	Contracts .....	8
VIII.		SAFEGUARDS RELATING TO PROVISION OF PRODUCTS AND SERVICES .....	8
	A.	No Preferential Treatment .....	8
	B.	Discounts, Rebates, Fee Waivers .....	8
	C.	Tying Arrangements Prohibited .....	9
IX.		INFORMATION SAFEGUARDS.....	9
	A.	Proprietary Customer Information .....	9
	B.	Customer Information .....	9
	C.	Transmission and Distribution Information .....	10
	D.	Other Limitations on Information Disclosure.....	10
	E.	Other Information.....	10
X.		SAFEGUARDS RELATED TO JOINT MARKETING AND ADVERTISING.....	10
	A.	Joint Marketing, Advertising and Promotional Materials.....	10
	B.	Non-Sales Meetings .....	11
	C.	Requests for Specific Competitive Affiliate Information .....	11
	D.	Requests for General Information .....	11
XI.		RECORDKEEPING REQUIREMENTS .....	12
XII.		ANNUAL REPORTING REQUIREMENTS .....	13
	A.	Annual Report of Affiliate Activities.....	13
	B.	Copies of Contracts or Agreements .....	13
	C.	Tracking Migration of Employees .....	13
	D.	Annual Reporting of Informal Complaint Resolution.....	13
	E.	Reporting of Deviations from the Code of Conduct .....	13
	F.	Annual Update of Compliance Plans.....	14
XIII.		COMPLIANCE AUDITS.....	14
XIV.		ENSURING COMPLIANCE FOR NEW AFFILIATES .....	14

XV.	REMEDIES AND ENFORCEMENT .....	14
A.	Informal Complaint Procedure .....	14
B.	Enforcement by the Commission.....	15
C.	No Immunity from Antitrust Enforcement.....	15
D.	No Immunity from Civil Relief .....	15

## I. GENERAL POLICY

### A. General

The Public Utility Commission of Texas (Commission) has adopted code of conduct rules that apply primarily to the interaction between Sharyland Utilities, L.L.C.'s (Sharyland) transmission and distribution operations and any retail competitive affiliates that may operate in Texas.

The provisions of this manual have been written in accordance with Commission Rules and orders in order to establish safeguards to govern the interaction between Sharyland and its affiliates and to avoid potential market power abuses and cross-subsidization between regulated and unregulated activities.

Employees of Sharyland and each affiliate are responsible for implementing within their respective organizations the policies set forth in this manual.

Sharyland or any competitive affiliate shall not circumvent the provisions of this manual by using any affiliate to provide information, services, products, or subsidies between a competitive affiliate and Sharyland.

To the extent that a situation arises that is not specifically addressed in this manual, the situation should be brought to the attention of the Affiliate Compliance Officer.

### B. Waivers

Nothing in the Commission rules is intended to affect or modify the obligation or duties relating to any rules or standards of conduct that may apply to Sharyland or its affiliates under orders or regulations of the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC).

Sharyland shall file with the Commission a notice of any provision in the rules that conflicts with FERC or SEC orders or regulations.

A utility such as Sharyland that is subject to statutes or regulations in any state that conflict with a provision of the Commission's rules may petition the Commission for a waiver of the conflicting provision on a showing of good cause. Any request for a waiver shall be coordinated through the Compliance Officer.

### C. Definitions

The following words and terms when used in this manual shall have the following meaning unless the context clearly indicates otherwise:

**Arm's length transaction** – The standard of conduct under which unrelated parties, each acting in its own best interest, would carry out a particular transaction. Applied to related parties, a transaction is at arm's length if the transaction could have been made on the same terms to a disinterested third-party in a bargained transaction.

**Competitive affiliate** – An affiliate of a utility that provides services or sells products in a competitive energy-related market in this state, including telecommunications services, to the extent those services are energy-related.

**Confidential information** – Any information not intended for public disclosure and considered to be confidential or proprietary by persons privy to such information. Confidential information includes but is not limited to information relating to the interconnection of customers to a utility's transmission or distribution systems, proprietary customer information, trade secrets, competitive information relating to internal manufacturing processes, and information about a utility's transmission or distribution system, operations, or plans for expansion.

**Corporate support services** – Services shared by a utility, its parent holding company, or a separate affiliate created to perform corporate support services, with its affiliates of joint corporate oversight, governance, support systems, and personnel. Examples of services that may be shared, to the extent the services comply with the requirements prescribed by PURA §39.157(d) and (g) and Commission rules

implementing those requirements, include 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/or business development for the competitive affiliate 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. In addition, transmission and distribution operations, engineering, marketing, business development, and purchasing of electric transmission facilities and service may be shared with non-competitive affiliates as described in waivers approved by the Commission. Except as approved by the Commission through waivers, examples of services that may not be shared include engineering, purchasing of electric transmission facilities and services, 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.

**Proprietary customer information** – Any information compiled by an electric utility on a customer in the normal course of providing electric service that makes possible the identification of any individual customer by matching such information with the customer's name, address, account number, type or classification of service, historical electricity usage, expected patterns of use, types of facilities used in providing service, individual contract terms and conditions, price, current charges, billing records, or any other information that the customer has expressly requested not be disclosed. Information that is redacted or organized in such a way as to make it impossible to identify the customer to whom the information relates does not constitute proprietary customer information.

**Similarly situated** – The standard for determining whether a non-affiliate is entitled to the same benefit a utility offers, or grants upon request, to its competitive affiliate for any product or service. For purposes of this section, all non-affiliates serving or proposing to serve the same market as a utility's competitive affiliate are similarly situated to the utility's competitive affiliate.

**Transaction** – Any interaction between a utility and its affiliate in which a service, good, asset, product, property, right, or other item is transferred or received by either a utility or its affiliate.

#### **D. Applicability of Compliance Manual**

This manual applies to Sharyland and any affiliate that (a) is a competitive affiliate or (b) has any transactions with Sharyland (other than *de minimus* transactions).

#### **E. Affiliate Compliance Officer**

The Affiliate Compliance Officer shall ensure that Sharyland and its affiliates implement the manual diligently and systematically.

## **II. SEPARATION**

### **A. Separate and Independent Entities**

Sharyland shall be a separate, independent entity from any competitive affiliates. This section of the manual addresses separation and independence in various aspects: sharing of office space; separate books and records; limited credit support; sharing of employees, facilities or other resources; and sharing of officers and directors, property, equipment, computer systems, information systems and corporate support services.

### **B. Sharing of Office Space**

Sharyland's office space shall be physically separate from that of its competitive affiliates. Physical separation is accomplished by having office space in separate buildings or, if within the same building, by

a method such as having offices on separate floors or with separate access. Unless otherwise approved by the Commission, no variance from these requirements is allowed.

### **C. Separate Books & Records**

Sharyland and its affiliates shall keep separate books of accounts and records. 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. In addition, Sharyland shall prepare financial statements that are not consolidated with those of its affiliates. Sharyland shall record all transactions with its affiliates, whether they involve direct or indirect expenses. Such records shall be kept in accordance with generally accepted accounting principles or state and federal guidelines, as appropriate.

Sharyland and its affiliates shall maintain sufficient records to allow for Commission review or an audit of the transactions between Sharyland and its affiliates.

At any time, the Commission may review records relating to a transaction between Sharyland and an affiliate. At any time, the Commission may require Sharyland to initiate an audit of transactions between Sharyland and its affiliates to be performed by an independent third-party and to be at Sharyland's expense.

Further details of the procedures for the recordkeeping requirements and for audits are set forth in Sections XI and XIII.

### **D. Limited Credit Support**

Sharyland is subject to the credit support limitations set forth in the final Order issued in Docket 48929.

Sharyland shall implement adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from Sharyland to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

This provision does not affect Sharyland's obligations under other law or regulations, such as the obligations of a public utility holding company under 16 Tex. Admin. Code § 25.271(c)(2) (TAC) (relating to Foreign Utility Company Ownership by Exempt Holding Companies).

### **E. Sharing of Employees, Facilities, or Other Resources**

Except as otherwise allowed in this manual, Sharyland shall not share employees, facilities, or other resources with its competitive affiliates unless Sharyland can prove to the Commission prior to such sharing that the sharing will not compromise the public interest.

Such sharing may be allowed if Sharyland implements adequate safeguards precluding employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from Sharyland to an affiliate, create an opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

### **F. Sharing of Officers and Directors, Property, Equipment, Computer Systems, Information Systems, and Corporate Support Services**

1. Sharyland and a competitive affiliate may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services. Sharyland will implement the following safeguards to preclude employees of a competitive affiliate from gaining access to information in a manner that would allow or provide a means to transfer confidential information from Sharyland to an affiliate, create an opportunity for

preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates.

2. Sharyland's Affiliate Compliance Officer shall be responsible for compliance with the procedures in this paragraph F.
3. Shared Officers and Directors are those individuals who are officers and directors of both Sharyland and a Sharyland competitive affiliate.
4. Shared Officers and Directors shall not provide confidential utility information to officers, directors or employees of a Sharyland competitive affiliate.
5. Shared Officers and Directors will not, with the intent of giving the competitive affiliate an unfair advantage, participate in decisions as a competitive affiliate officer or director, or attempt to influence the decisions of other competitive affiliate officers and directors, while relying on confidential utility information.
6. During Sharyland and Sharyland competitive affiliate board of directors' meetings, Shared officers and directors shall not disclose to competitive affiliate employees or officers or directors who are not shared with Sharyland any confidential utility information. A Shared Officer or Director attending such a board meeting will review the agenda to identify any agenda items that present the opportunity for such disclosure and will communicate his or her concern to the appropriate meeting participants to ensure that an inappropriate disclosure does not occur.
7. The Sharyland Affiliate Compliance Officer shall maintain a current list of Shared Officers and Directors.
8. Annually, Shared Officers and Directors shall sign a statement that they understand and abide by the information-sharing provisions contained in Sharyland's Code of Conduct.
9. Subject to these safeguards, Sharyland and Sharyland competitive affiliates may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services.

### **III. EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS**

#### **A. General**

This section sets forth certain rules applicable to Sharyland employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with Sharyland who are engaged in transmission system operations on a day-to-day basis or have knowledge of transmission or distribution system operations.

If such an employee has knowledge of confidential information and such employee is going to be assigned or transferred to a competitive affiliate, such assignment or transfer cannot be for less than one year. Assignment or transfer of such an employee is allowed as long as it is for a longer period.

Any such employee that is assigned or transferred to a competitive affiliate shall not remove or otherwise provide or use confidential property or information gained from Sharyland or the affiliated service company in a discriminatory or exclusive fashion, to the benefit of the competitive affiliate or to the detriment of non-affiliated electric suppliers.

The exception to the restriction on assignment or transfer is that such employees may be temporarily assigned to an affiliate or non-affiliated utility to assist in restoring power in the event of a major service



interruption or assist in resolving emergency situations affecting system reliability. Within 30 days of the above-described temporary assignment, Sharyland shall report this information to the Commission and shall conspicuously post the information on its Internet site or other public electronic bulletin board for 30 consecutive calendar days.

#### **B. Process to Follow**

Assignment or transfer of an employee from Sharyland, or an employee from a service company affiliated with Sharyland who is engaged in transmission or distribution system operations on a day-to-day basis or has knowledge of transmission or distribution system operations, to a competitive affiliate or vice versa may be accomplished through either the employee's termination of employment with one company and acceptance of employment with the other, or a transfer to another company, as long as the transfer of an employee from the utility to an affiliate results in Sharyland bearing no ongoing costs associated with that employee.

Such transferring employees shall sign a statement indicating that they are aware of and understand the restrictions and penalties set forth in this section.

Sharyland also shall post a conspicuous notice of such a transfer on its Internet site or other public electronic bulletin board within 24 hours and for at least 30 consecutive calendar days.

### **IV. CORPORATE SUPPORT SERVICES**

#### **A. General**

Sharyland and its affiliates may share corporate support services such as joint corporate oversight, governance, support systems and personnel.

Such provision of corporate support services shall not allow or provide a means for the transfer of confidential information from Sharyland to a competitive affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of competitive affiliates.

Except as approved by the Commission in Docket No. 49689, examples of services that may not be shared include engineering, purchasing of electric transmission, 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.

#### **B. Permitted Corporate Support Services**

Services that may be shared include 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/or business development for the competitive affiliate regarding its services and products, internal audit, community relations, corporate communications, financial services, financial planning and management support, corporate secretary, lobbying, and corporate planning. Additional corporate support services that may be shared with non-competitive affiliates pursuant to the waiver obtained in Docket No. 49689 include: transmission and distribution operations, engineering, marketing, business development, and purchasing of electric transmission facilities and service.

## **V. TRANSACTIONS BETWEEN SHARYLAND AND AFFILIATES**

### **A. General**

Sharyland shall not subsidize the business activities of any affiliate with revenues from a regulated service. In furtherance of that goal, this section sets forth provisions regarding transactions between Sharyland and any affiliate. Section VI sets forth additional provisions regarding transactions between Sharyland and its competitive affiliates.

Sharyland and its affiliates shall fully allocate costs for any shared services, including corporate support services, offices, employees, property, equipment, computer systems, information systems, and any other shared assets, services, or products. Sharyland will conduct business with its affiliates as if the parties to the transaction were at arm's length. No transaction with an affiliate will occur without a legitimate business purpose.

### **B. Sale of Products or Services by Sharyland**

Unless otherwise approved by the Commission and except for corporate support services, any sale of a product or service by Sharyland shall be governed by a tariff approved by the Commission. Products and services shall be made available to any third-party entity on the same terms and conditions as Sharyland makes those products and services available to its affiliates.

### **C. Purchase of Products, Services or Assets by Sharyland**

Products, services and assets shall be priced at levels that are fair and reasonable to the customers of Sharyland and that reflect the market value of the product, service or asset.

### **D. Transfer of Assets**

Assets transferred from Sharyland to its affiliates shall be priced at levels that are fair and reasonable to the customers of Sharyland and that reflect the market value of the assets or Sharyland's fully allocated cost to provide those assets.

## **VI. TRANSACTIONS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES**

### **A. General**

The provisions in the section apply to transactions with competitive affiliates and are in addition to those set forth in Section V. Also, Sections VIII, IX and X set forth procedures to ensure non-preferential treatment among affiliated and non-affiliated entities.

Transactions between Sharyland and its competitive affiliates shall be at arm's length. No transaction with an affiliate will occur without a legitimate business purpose. Sharyland shall maintain a contemporaneous written record of all transactions with its competitive affiliates, except those involving corporate support services and those transactions governed by tariffs.

Such records shall include the date of the transaction, name of affiliate involved, name of a Sharyland employee or an affiliated service company employee knowledgeable about the transaction, and a description of the transaction. Such records shall be maintained by Sharyland for three years. See Section XI for more details regarding recordkeeping requirements.

### **B. Products or Services Purchased by Sharyland from a Competitive Affiliate**

Except for corporate support services, Sharyland may not enter into a transaction to purchase a product or service from a competitive affiliate that has a per unit value of \$75,000 or more, or a total value of \$1

million or more, unless the transaction is the result of a fair, competitive bidding process formalized in a contract subject to the provisions of 16 TAC § 25.273 (relating to Contracts Between Electric Utilities and Their Competitive Affiliates). See Section VII for details of the bidding process.

### **C. Transfer of Assets**

Any transfer from Sharyland to its competitive affiliates of assets with a per unit value of \$75,000 or more, or a total value of \$1 million or more, must be the result of a fair, competitive bidding process formalized in a contract subject to the provisions of 16 TAC § 25.273.

## **VII. REQUIREMENTS REGARDING CONTRACTS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES**

### **A. Purpose**

This section establishes the requirements for the implementation of contracts between Sharyland and its competitive affiliates resulting from a fair, competitive bidding process.

### **B. Competitive Bidding**

Sharyland shall conduct competitive bidding to procure products and services, other than corporate support services, that are offered by a competitive affiliate or to sell to any competitive affiliate assets that have a per unit value of more than \$75,000, or a total value of more than \$1 million.

#### **1. Notice**

Sharyland shall provide reasonable notice of any request for proposals required pursuant to this section. Such notice shall include:

- notice by publication in trade journals or newspapers as appropriate;
- notice by mail to persons who previously requested to be notified of the request for proposals; and
- conspicuous notice on Sharyland's Internet site or other public electronic bulletin board.

#### **2. Independent Evaluator**

Sharyland shall use an independent evaluator when a competitive affiliate's bid is included among the bids to be evaluated. If an independent evaluator is required, Sharyland shall maintain a record of communications with the independent evaluator. The independent evaluator shall identify in writing the bids that are most advantageous and warrant negotiation and contract execution, in accordance with the criteria set forth in the request for proposals. Sharyland retains responsibility for final selection of products or services.

#### **3. Procedures**

Sharyland shall make a request for proposals available to interested persons by conspicuously posting the request on its Internet site or other public electronic bulletin board. The request for proposals must clearly set forth the eligibility and selection criteria and shall specify the weight to be given to any non-cost selection criteria. Sharyland shall strictly enforce the criteria specified in the request for proposals.

#### **4. Evaluation of Bids**

Sharyland or the independent evaluator, as appropriate, shall evaluate each bid submitted in accordance with the criteria specified in the request for proposals. Sharyland or the independent evaluator may not give preferential treatment or consideration to any bid.

Sharyland is not required to accept a bid and may reject any or all bids in accordance with the selection criteria specified in the request for proposals.

### **C. Contracts**

Sharyland shall file with the Commission a signed copy of any contracts entered into with a competitive affiliate as the result of the fair, competitive bidding process. A contract shall include, at a minimum, the following provisions: the effective date of the agreement and parties to the agreement; the term of the agreement; a narrative describing the products or services provided to Sharyland, including a list by specific service of all the affiliated companies who provide or receive these services, or a narrative describing the assets being sold by Sharyland to the competitive affiliate; the obligations of the parties; the price for those products, services, or assets governed by the contract; and billing and payment procedures.

## **VIII. SAFEGUARDS RELATING TO PROVISION OF PRODUCTS AND SERVICES**

### **A. No Preferential Treatment**

If Sharyland makes a product or service, other than corporate support services, available to a competitive affiliate, it shall make the same product or service available, contemporaneously and in the same manner, to all similarly situated entities, and it shall apply its tariffs, prices, terms, conditions, and discounts for those products and services in the same manner to all similarly situated entities.

Sharyland shall process all requests for a product or service from competitive affiliates or similarly situated non-affiliated entities on a non-discriminatory basis.

If Sharyland's tariff allows for discretion in its application, Sharyland shall apply that provision in the same manner to its competitive affiliates and similarly situated non-affiliates, as well as to their respective customers.

If Sharyland's tariff allows no discretion in its application, Sharyland shall strictly apply the tariff.

Sharyland shall not use customer-specific contracts to circumvent these requirements. Sharyland shall not create a product or service arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to utilize the product or service.

### **B. Discounts, Rebates, Fee Waivers**

If Sharyland offers its competitive affiliate or grants a request from its competitive affiliate for a discount, rebate, fee waiver, or alternative tariff terms and conditions for any product or service, it must make the same benefit contemporaneously available, on a non-discriminatory basis, to all similarly situated non-affiliates.

Sharyland shall post a conspicuous notice on its Internet site or public electronic bulletin board for at least 30 consecutive calendar days providing the following information: the name of the competitive affiliate involved in the transaction; the rate charged; the normal rate or tariff condition(s); the period for which the benefit applies; the quantities and the delivery points involved in the transaction (if any); any conditions or requirements applicable to the benefit, along with documentation of any cost differential underlying the benefit, and the procedures by which non-affiliates may obtain the same benefit.

Sharyland shall maintain records of such information for a minimum of three years, and shall make such records available for third-party review within three working days of a written request, or at a time mutually agreeable to Sharyland and the third-party. See Section XI for more details regarding recordkeeping requirements.

Sharyland shall not create any arrangement with its competitive affiliate that is so unique that no competitor could be similarly situated to benefit from the discount, rebate, fee waiver, or alternative tariff terms and conditions.

### **C. Tying Arrangements Prohibited**

Sharyland shall not condition the provision of any product, service, pricing benefit, or alternative terms or conditions upon the purchase of any other good or service from Sharyland or its competitive affiliate.

## **IX. INFORMATION SAFEGUARDS**

### **A. Proprietary Customer Information**

Sharyland shall provide proprietary customer information to a customer upon request by that customer.

Sharyland may release proprietary customer information to an independent organization as defined by PURA §39.151.

Sharyland may release proprietary customer information to a provider of corporate support services for the sole purpose of providing corporate support services.

Sharyland may release proprietary customer information to another entity where authorized or requested to do so by the Commission or where required to do so by law, regulation or legal process.

Sharyland may release proprietary customer information to a federal, state, or local governmental entity or in connection with a court or administrative proceeding involving the customer or the utility; provided, however, that Sharyland shall take all reasonable actions to protect the confidentiality of such information, including, but not limited to, providing such information under a confidentiality agreement or protective order, and shall also promptly notify the affected customer in writing that such information has been requested.

In any circumstance other than those listed above, Sharyland shall not release any proprietary customer information to a competitive affiliate or to any other entity unless Sharyland obtains prior affirmative written consent or other verifiable authorization from the customer as determined by the Commission.

Sharyland shall maintain records that include the date, time, and nature of information released when it releases proprietary customer information to another entity in accordance with this section. Sharyland shall maintain records of such information for a minimum of three years, and shall make the records available for third-party review within three working days of a written request, or at a time mutually agreeable to Sharyland and the third-party. See Section XI for more details regarding recordkeeping requirements.

If proprietary customer information is released to an independent organization or a provider of corporate support services, the independent organization or entity providing corporate support services is subject to the rules in this subsection with respect to releasing the information to other persons.

When the third-party requesting review of the records is not the customer, Commission, or Office of Public Utility Counsel, the records may be redacted in such a way as to protect the customer's identity.

### **B. Customer Information**

Sharyland may aggregate non-proprietary customer information including, but not limited to, information about Sharyland's sales or operations or about Sharyland's energy-related goods or services.

Except in circumstances solely involving the provision of corporate support services in accordance with Section IV of this manual, Sharyland shall aggregate non-proprietary customer information for a competitive affiliate only if Sharyland makes such aggregation service available to all non-affiliates under the same terms and conditions and at the same price as it is made available to any of its affiliates.

In addition, at least 24 hours prior to Sharyland providing the aggregate customer information to its competitive affiliate, Sharyland shall post a conspicuously placed notice on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days providing the following information: the name of the competitive affiliate to which the information will be provided, the rate charged for the information, a meaningful description of the information provided, and the procedures by which non-affiliates may obtain the same information under the same terms and conditions.

Sharyland shall maintain records of such information for a minimum of three years, and shall make such records available for third-party review within three working days of a written request, or at a time mutually agreeable to Sharyland and the third-party. See Section XI for more details regarding recordkeeping requirements.

### **C. Transmission and Distribution Information**

Sharyland shall not allow preferential access by its competitive affiliates to information about its transmission and distribution systems.

### **D. Other Limitations on Information Disclosure**

Nothing in the Commission's rule is intended to alter the specific limitations on disclosure of confidential information in the Texas Utilities Code, the Texas Government Code, Chapter 552, or the Commission's substantive and procedural rules.

### **E. Other Information**

Except as otherwise allowed in this manual and except for information required to perform corporate support services, Sharyland shall not share information with competitive affiliates unless Sharyland can prove to the Commission, prior to any such sharing, that the sharing will not compromise the public interest.

Information that is publicly available or that is unrelated in any way to utility activities may be shared.

## **X. SAFEGUARDS RELATED TO JOINT MARKETING AND ADVERTISING**

### **A. Joint Marketing, Advertising and Promotional Materials**

Sharyland shall not:

- Provide or acquire leads on behalf of its competitive affiliates;
- Solicit business or acquire information on behalf of its competitive affiliates;
- Give the appearance of speaking or acting on behalf of any of its competitive affiliates;
- Share market analysis reports or other types of proprietary or non-publicly available reports, including, but not limited to, market forecast, planning, or strategic reports, with its competitive affiliates;
- Represent to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or
- Request authorization from its customers to pass on information exclusively to its competitive affiliate.

Sharyland shall not engage in joint marketing, advertising, or promotional activities of its products or services with those of a competitive affiliate in a manner that favors the affiliate.

Joint marketing, advertising, or promotional activities include, but are not limited to, the following activities:

- Acting or appearing to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;
- Joint sales calls;
- Joint proposals, either as requests for proposals or responses to requests for proposals;
- Joint promotional communications or correspondence;
- Joint presentations at trade shows, conferences, or other marketing events within the State of Texas; and
- Providing links between any of Sharyland's Internet websites and social media platforms, and any of the websites and social media platforms of competitive affiliates.

**B. Non-Sales Meetings**

Sharyland may not solicit customers to request a non-sales meeting with it and its competitive affiliate.

At a customer's unsolicited request, Sharyland may participate in non-sales meetings with a competitive affiliate to discuss technical or operational subjects regarding Sharyland's provision of transmission or distribution services to the customer, but only in the same manner and to the same extent Sharyland participates in such meetings with unaffiliated electric or energy services suppliers and their customers.

Sharyland shall not listen to, view, or otherwise participate in any way in a sales discussion between a customer and a competitive affiliate or an unaffiliated electric or energy services supplier.

**C. Requests for Specific Competitive Affiliate Information**

If a customer or potential customer makes an unsolicited request to Sharyland for information specifically about any of its competitive affiliates, Sharyland may refer the customer or potential customer to the competitive affiliate for more information.

The only information that Sharyland may provide to the customer or potential customer is the competitive affiliate's address and telephone number.

Sharyland shall not transfer the customer directly to the competitive affiliate's customer service office via telephone or provide any other electronic link whereby the customer could contact the competitive affiliate through Sharyland.

When providing the customer or potential customer information about the competitive affiliate, Sharyland shall not promote its competitive affiliate or its competitive affiliate's products or services, nor shall it offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider.

Sharyland may not solicit a customer or potential customer to make a request of Sharyland for information specifically about one of its competitive affiliates.

**D. Requests for General Information**

If a customer or potential customer requests general information from Sharyland about products or services provided by its competitive affiliate or its affiliate's competitors, Sharyland shall not promote its competitive affiliate or its affiliate's products or services, nor shall Sharyland offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider.

Sharyland may direct the customer or potential customer to a telephone directory or to the Commission, or provide the customer with a recent list of suppliers developed and maintained by the Commission.

Sharyland may not refer the customer or potential customer to the competitive affiliate except as provided in the previous section.

## **XI. RECORDKEEPING REQUIREMENTS**

Sharyland shall maintain records documenting all transactions with its competitive affiliates (except those involving corporate support services and those transactions governed by tariffs), including, but not limited to, all discounts, rebates, fee waivers and alternative tariff terms and conditions.

Sharyland shall maintain such records for a minimum of three years and longer if the Commission or another government agency so requires. Sharyland shall make such records available for third-party review upon three working days' notice (three working days), or at a time mutually agreeable to the utility and third-party.

### **Transactions to/from competitive affiliates**

The records will include:

- Date of transaction
- Name of affiliate
- Name of employee knowledgeable about the transaction
- Description of the transaction

### **Transfer of Assets**

The records will include:

- Date of transfer
- Name of affiliate
- Name of employee knowledgeable about the transfer
- Description of the asset

### **Transfer of employees covered by Section III**

The records will include:

- Identifying code for transferring employee
- Respective titles held while at each entity
- Effective dates of transfer

### **Discounts, Rebates, Fee Waivers, Alternative Tariff Terms and Conditions**

The records will include:

- Name of the competitive affiliate involved
- Rate charged
- Normal rate or tariff condition
- Period for which the benefit applies
- Quantities and delivery points involved in the transaction (if any)
- Any conditions or requirements applicable to the benefit along with documentation of any cost differential underlying the benefit
- Procedures by which non-affiliates may obtain the benefit

### **Information Release**

(a) Proprietary Customer Information

- Date
- Time
- Nature of information

(b) Aggregate Information

- Name of competitive affiliate to which information is provided
- Rate charged for information
- Meaningful description of information provided



Procedures on how a non-affiliate may obtain the information on the same terms and conditions.

## **XII. ANNUAL REPORTING REQUIREMENTS**

### **A. Annual Report of Affiliate Activities**

A "Report of Affiliate Activities" shall be filed annually with the Commission. Using forms approved by the Commission, Sharyland shall report activities among itself and its affiliates in accordance with the requirements in this section. The report shall be filed by June 1, and shall encompass the period from January 1 through December 31 of the preceding year.

### **B. Copies of Contracts or Agreements**

Sharyland shall reduce to writing and file with the Commission copies of any contracts or agreements it has with its affiliates. The requirements of this subsection are not satisfied by the filing of an earnings report. All contracts or agreements shall be filed by June 1 of each year as attachments to the Report of Affiliate Activities required in Section XII.A. of this manual. In subsequent years, if no significant changes have been made to the contract or agreement, an amendment sheet may be filed in lieu of refileing the entire contract or agreement.

### **C. Tracking Migration of Employees**

Sharyland shall track and document the movement between Sharyland and its competitive affiliates of all employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with Sharyland who are engaged in transmission or distribution system operations on a day-to-day basis or have knowledge of transmission or distribution system operations. Employee migration information shall be included in Sharyland's Report of Affiliate Activities. The tracking information shall include an identification code for the migrating employee, the respective titles held while employed at each entity, and the effective dates of the migration.

### **D. Annual Reporting of Informal Complaint Resolution**

Sharyland shall report to the Commission information regarding the nature and status of informal complaints handled in accordance with Section XIV of this manual. The information reported shall include the name of the complainant and a summary report of the complaint, including all relevant dates, companies involved, employees involved, the specific claim, and any actions taken to address the complaint. Such information on all informal complaints that were initiated or remained unresolved during the reporting period shall be included in Sharyland's Report of Affiliate Activities.

### **E. Reporting of Deviations from the Code of Conduct**

Sharyland shall report information regarding the instances in which deviations from the code of conduct were necessary to ensure public safety and system reliability pursuant to Section III.A. of this manual. The information reported shall include the nature of the circumstances requiring the deviation, the action taken by Sharyland and the parties involved, and the date of deviation. Within 30 days of each deviation, Sharyland shall report this information to the Commission and shall conspicuously post the information on its Internet site or a public electronic bulletin board for 30 consecutive calendar days. Such information shall be summarized in Sharyland's Report of Affiliate Activities.

## **F. Annual Update of Compliance Plans**

Sharyland shall ensure that its annual Report of Affiliate Activities reflects all approved changes to its compliance plans, including those changes that result from the creation of new affiliates.

## **XIII. COMPLIANCE AUDITS**

At a minimum, every third year, Sharyland shall have an audit prepared by independent auditors that verifies that Sharyland is in compliance with this section. For a utility that has no competitive affiliates, the audit may consist solely of an affidavit stating that the utility has no competitive affiliates. Sharyland shall file the results of each audit with the Commission within one month of the audit's completion. The cost of the audits shall not be charged to ratepayers.

Compliance monitoring will be performed periodically throughout the year and will include those tests necessary to give reasonable assurance that the utility and all its affiliates are in compliance with code of conduct rules as well as any other Commission or FERC guidelines related to affiliate transactions.

## **XIV. ENSURING COMPLIANCE FOR NEW AFFILIATES**

Sharyland and a new affiliate shall be bound by the Code of Conduct immediately upon creation of the new affiliate. Upon the creation of a new affiliate that (a) is a competitive affiliate or (b) has or is expected to have any transactions with Sharyland, Sharyland shall immediately post a conspicuous notice of the new affiliate on its Internet site or other public electronic bulletin board for at least 30 consecutive calendar days. Within 30 days of creation of the new affiliate, Sharyland shall file an update to its internal code of conduct and compliance plan, including all changes due to the addition of the new affiliate. A list of affiliates meeting the described criteria is included at Attachment A.

Sharyland shall ensure that any interaction with the new affiliate is in compliance with this manual.

## **XV. REMEDIES AND ENFORCEMENT**

### **A. Informal Complaint Procedure**

The following procedure shall be utilized for addressing alleged violations of Sharyland's code of conduct. All complaints shall be placed in writing and shall be referred to a designated officer of Sharyland. All complaints shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and specific claim.

The designated officer shall acknowledge receipt of complaint in writing within five days of receipt. The designated officer shall provide a written report communicating the results of the preliminary investigation to the complainant within thirty days after receipt of the complaint, including a description of any course of action that will be taken.

In the event Sharyland and the complainant are unable to resolve the complaint, the complainant may file a formal complaint with the Commission. Sharyland shall notify the complainant of his or her right to file a formal complaint with the Commission, and shall provide the complainant with the Commission's address and telephone number.

Sharyland and the complainant shall make a good faith effort to resolve complaint on an informal basis as promptly as practicable. The informal complaint process shall not be a prerequisite for filing a formal complaint with the Commission, and the Commission may, at any time, institute a complaint against Sharyland on its own motion.

## **B. Enforcement by the Commission**

A violation or series or set of violations that materially impairs, or is reasonably likely to materially impair, the ability of a person to compete in a competitive market shall be deemed an abuse of market power.

In addition to other methods that may be available, the Commission may enforce the provisions of its rules by:

- Seeking an injunction or civil penalties to eliminate or remedy the violation or series or set of violations;
- Suspending, revoking, or amending a certificate or registration as authorized by PURA §39.356; or
- Pursuing administrative penalties under PURA, Chapter 15, Subchapter B.

The imposition of one penalty does not preclude the imposition of other penalties as appropriate for the violation or series or set of violations.

In assessing penalties, the Commission shall consider the following factors:

- Sharyland's prior history of violations;
- Sharyland's efforts to comply with the Commission's rules, including the extent to which Sharyland has adequately and physically separated its offices, communications, accounting systems, information systems, lines of authority, and operations from its affiliates, and efforts to enforce these rules;
- The nature and degree of economic benefit gained by the utility's competitive affiliate;
- The damages or potential damages resulting from the violation or series or set of violations;
- The size of the business of the competitive affiliate involved;
- The penalty's likely deterrence of future violations; and
- Such other factors deemed appropriate and material to the particular circumstances of the violation or series or set of violations.

## **C. No Immunity from Antitrust Enforcement**

Nothing in the Commission's affiliate rules shall confer immunity from state or federal antitrust laws. Sanctions imposed by the Commission for violations of its Code of Conduct rule do not affect or preempt antitrust liability, but rather are in addition to any antitrust liability that may apply to the anticompetitive activity. Therefore, antitrust remedies also may be sought in federal or state court to cure anticompetitive activities.

## **D. No Immunity from Civil Relief**

Nothing in the Commission's affiliate rules precludes any form of civil relief that may be available under federal or state law.

**CODE OF CONDUCT  
COMPLIANCE MANUAL**

**CROSS-REFERENCE**

- I. GENERAL POLICY
  - A. General ..... (a),(b)(1),(b)(2)
  - B. Waivers ..... (b)(3)
  - C. Definitions ..... (c) and Dkt 49689
  - D. Applicability of Compliance Manual ..... (i)(2) and Dkt 22348
  - E. Affiliate Compliance Officer.....
  
- II. SEPARATION
  - A. Separate and Independent Entities.....(d)(1)
  - B. Sharing of Office Space .....(d)(5)
  - C. Separate Books & Records.....(d)(6) and Dkt 48929 FOF 98r
  - D. Limited Credit Support ..... (d)(7) and Dkt 48929
  - E. Sharing of Employees, Facilities, or Other Resources ..... (d)(2)
  - F. Sharing of Officers and Directors, Property, Equipment,  
Computer Systems, Information Systems,  
and Corporate Support Services..... (d)(3) and Dkt 22348
  
- III. EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS
  - A. General ..... (d)(4)
  - B. Process to Follow ..... (d)(4)
  
- IV. CORPORATE SUPPORT SERVICES
  - A. General .....(c)(4),(e)(2)(A) and Dkt 49689
  - B. Permitted Corporate Support Services ..... (c)(4) and Dkt 49689
  
- V. TRANSACTIONS BETWEEN SHARYLAND AND AFFILIATES
  - A. General .....(e)(1) and Dkt 48929 FOF 98p
  - B. Sale of Products or Services by Sharyland .....(e)(1)(A)
  - C. Purchase of Products, Services or Assets by Sharyland.....(e)(1)(B)
  - D. Transfer of Assets .....(e)(1)(C)
  
- VI. TRANSACTIONS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES
  - A. General .....(e)(2) and Dkt 48929 FOF 98p
  - B. Products or Services Purchased by Sharyland from  
a Competitive Affiliate .....(e)(2)(B)
  - C. Transfer of Assets .....(e)(2)(C)

VII.	REQUIREMENTS REGARDING CONTRACTS BETWEEN SHARYLAND AND COMPETITIVE AFFILIATES	
A.	Purpose .....	25.273 (a)
B.	Competitive Bidding .....	25.273 (d)
	1. Notice.....	
	2. Independent Evaluation.....	
	3. Procedures .....	
	4. Evaluation of Bids .....	
C.	Contracts .....	25.273(e)
VIII.	SAFEGUARDS RELATING TO PROVISION OF PRODUCTS AND SERVICES	
A.	No Preferential Treatment.....	(f)(A)
B.	Discounts, Rebates, Fee Waivers.....	(f)(B)
C.	Tying Arrangements Prohibited .....	(f)(C)
IX.	INFORMATION SAFEGUARDS	
A.	Proprietary Customer Information.....	(g)(1)(A-D)
B.	Customer Information.....	(g)(1)(F)
C.	Transmission and Distribution Information .....	(g)(1)(G)
D.	Other Limitations on Information Disclosure.....	(g)(1)(H)
E.	Other Information .....	(g)(1)(I)
X.	SAFEGUARDS RELATED TO JOINT MARKETING AND ADVERTISING	
A.	Joint Marketing, Advertising and Promotional Activities.....	(h)(1)(A), (h)(1)(B)
B.	Non-sales Meetings .....	(h)(1)(C)
C.	Requests for Specific Competition Affiliate Information.....	(h)(2)
D.	Requests for General Information.....	(h)(3)
XI.	RECORDKEEPING REQUIREMENTS.....	
XII.	ANNUAL REPORTING REQUIREMENTS	
A.	Annual Reporting of Affiliate Activities .....	25.84(d)
B.	Copies of Contracts or Agreements.....	25.84(e)
C.	Tracking Migration of Employees.....	25.84(f)
D.	Annual Reporting of Informal Compliant Resolution.....	25.84(g)
E.	Reporting of Deviations from the Code of Conduct .....	25.84(h)
F.	Annual Update of Compliance Plans .....	25.84(i)
XIII.	COMPLIANCE AUDITS .....	(i)(3)
XIV.	ENSURING COMPLIANCE FOR NEW AFFILIATES.....	(i)(2) and Dkt 22348
XV.	REMEDIES AND ENFORCEMENT	
A.	Informal Complaint Procedure .....	(i)(4)
B.	Enforcement by the Commission .....	(i)(5)
C.	No Immunity from Antitrust Enforcement.....	(i)(6)
D.	No Immunity from Civil Relief.....	(i)(7)

## Acknowledgement

I have received and read Sharyland Utilities' Code of Conduct Compliance Manual (the "Code"). I understand its contents, including its provisions related to the sharing of information, and agree to abide by it. I acknowledge that the Code is a set of rules that apply to the interactions between Sharyland Utilities and its affiliates to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities. I understand that it is binding on me as part of the conditions of my employment or continued employment, and I consent to its terms. My failure to comply with the Code may result in disciplinary action, up to and including the immediate termination of my employment.

I further understand my responsibility to report violations or potential violations of this Code to Vicki Oswalt, the officer designated to receive such reports, in accordance with Section XV of the Code. Reporting a problem will not result in mistreatment or retaliation by anyone, including any managers or supervisors that may be in question.

This Code is an additional statement of Sharyland Utilities' company policy; it does not replace or supersede other company policies of Sharyland Utilities.

### **Confidentiality of Information**

I am aware that confidential information may be made available to me during the course of my employment, including, for example, proprietary customer information, trade secrets, operations or financial information, concepts, plans for expansion, information about Sharyland's transmission or distribution system, and other related information. I understand that this confidential information must not be shared with employees of a competitive affiliate or any other entity, unless disclosure is permitted by Sharyland Utilities, the Code, and the Rules of the Public Utility Commission of Texas. While employed, as well as after my termination of employment, whether voluntary or involuntary, I agree not to utilize or exploit this information with or disclose it to any individual or company.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Please return this form to:

Sharyland Utilities, L.L.C.  
1900 North Akard St.  
Dallas, Texas 75201

**Attachment A**

**Sharyland Affiliates Subject to the Code of Conduct Manual**

<b><u>Affiliate Name</u></b>	<b><u>Legal Structure</u></b>	<b><u>Relationship</u></b>
<b>BEE Presidio, L.L.C.</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>BEE Power Marketing, L.L.C.</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Hunt Consolidated, Inc.</b>	<b>Corporation</b>	<b>Affiliate</b>
<b>Hunt Energy Solutions, L.L.C.</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Hunt Energy Enterprises, L.L.C.</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>HEE Solar, L.L.C.</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Hunt Utility Services, LLC</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Sharyland Holdings, L.P.</b>	<b>Limited Partnership</b>	<b>Sole Member</b>
<b>Oncor Electric Delivery Company, LLC</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Oncor Electric Delivery Company NTU LLC (f/k/a Sharyland Distribution and Transmission Services, L.L.C.)*</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>
<b>Sempra Gas &amp; Power Marketing, LLC</b>	<b>Limited Liability Company</b>	<b>Affiliate</b>

\*Oncor Electric Delivery Company NTU is included in accordance with Ordering Paragraph 3 of Docket No. 48929.