

ADDENDUM 1

RFP 473-19-00003

REQUEST FOR PROPOSALS FOR ASSISTANCE IN REVIEWING THE CHANGE-IN-CONTROL FILING OF CERTAIN INVESTOR-OWNED UTILITIES

Introductory Note:

The Public Utility Commission of Texas (“PUCT” or “commission”) has issued a Request for Proposals (RFP) for a technical consultant to assist the PUCT in its review of any change-in-control filings relating to the merger and acquisition announcements made on October 18, 2018, by Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, LLC, InfraREIT, Inc., Hunt Consolidated, Inc., Sempra Energy, and Oncor Electric Delivery Company LLC (Oncor), as well as any other proceedings related to the change of control filings.

Questions (in black) and Answers (in red):

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- Contractor will provide technical consulting services related to any change-in-control filings that the PUCT expects Subject Entities may file, as well as any related proceedings that may be necessary, as determined by the PUCT provide a written evaluation of each proposed transaction

Have the subject entities filed any change of control filings to date?

Please see Docket No. 48929 located on the PUCT interchange for the “Joint Report and Application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services LLC, Sharyland Utilities LP, and Sempra Energy for Regulatory Approvals Under PURA 14.101, 37.154, 39.262 and 38.915.” The docket provides the information that Staff has to date regarding the details of the transactions.

It is our understanding that the various transactions envisioned here are linked.

From the October acquisition announcement: ***As a condition to Oncor’s acquisition of InfraREIT***, InfraREIT’s subsidiary, Sharyland Distribution & Transmission Services, L.L.C. (“SDTS”), and Oncor also signed a definitive agreement with SDTS’s tenant, Sharyland Utilities, L.P. (“Sharyland”) to ***exchange, immediately prior to Oncor’s acquisition***, SDTS’s South Texas assets for Sharyland’s Golden Spread Electric Cooperative interconnection (“Golden Spread Project”) located in the Texas Panhandle, along with certain development projects in the Texas Panhandle and South Plains regions, including the Lubbock Power & Light interconnection (“LP&L Project”).

Are we correct in assuming that the Oncor acquisition of InfraREIT, if approved by the PUCT, can and will only take place after the other transactions have been consummated?

Please see the answer to the question immediately preceding this one regarding Docket No. 48929.

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- make a determination whether the Texas investor-owned utilities will be sufficiently capitalized based on the capital needs for providing transmission and distribution service in their service areas and managing the risks associated with providing such service;
- make a determination whether the Texas investor-owned utilities will have sufficient access to capital to permit it to provide adequate service to customers, taking into account the growth expectations for each Texas investor-owned utility's service area and other factors that may result in future capital needs

Capital adequacy and sufficient access to capital are largely a function of rate-setting as determined by the PUCT (and/or in certain cases the FERC). If regulators allow competitive returns on debt and equity, investor owned public utilities have traditionally enjoyed better access to the capital markets than virtually any other industry class. Under Docket No. 47675, Sempra is already required to insure that Oncor credit ratings do not fall below the level as of June 30, 2017.

Are we correct in assuming that that requirement remains in effect through the InfraREIT transaction?

All requirements ordered in Docket 47675 remain in effect.