

**NextEra Energy
Lone Star Code of Conduct Compliance Plan
Attachment A
March 1, 2018**

**DOCKET NO. 45011
Approved on December 4, 2015
Lone Star Transmission, LLC
Code of Conduct**

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- (a) **Purpose.** The provisions of this Code of Conduct (“Code”) establish safeguards to govern the interaction between Lone Star Transmission, LLC (“Lone Star”) and its affiliates to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities.
- (b) **No circumvention of the Code of Conduct.** Lone Star and its affiliates shall not circumvent the provisions or the intent of Public Utility Regulatory Act (PURA) §39.157 or any rules implementing that section by using any affiliate to provide information, services, products, or subsidies between a competitive affiliate and Lone Star. Nothing in this Code is intended to affect or modify the obligation or duties relating to any rules or standards of conduct that may apply to Lone Star or its affiliates under orders or regulations of the Federal Energy Regulatory Commission or the Securities and Exchange Commission.
- (c) **Definitions.** The following words and terms when used in this section shall have the following meaning unless the context clearly indicates otherwise:
- (1) **Affiliate** - means:
- (A) a person who directly or indirectly owns or holds at least 5.0% of the voting securities of a public utility;
 - (B) a person in a chain of successive ownership of at least 5.0% of the voting securities of a public utility;
 - (C) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by a public utility;
 - (D) a corporation that has at least 5.0% of its voting securities owned or controlled, directly or indirectly, by:
 - (i) a person who directly or indirectly owns or controls at least 5.0% of the voting securities of a public utility; or
 - (ii) a person in a chain of successive ownership of at least 5.0% of the voting securities of a public utility;
 - (E) a person who is an officer or director of a public utility or of a corporation in a chain of successive ownership of at least 5.0% of the voting securities of a public utility; or
 - (F) a person determined to be an affiliate under PURA §11.006.
- (2) **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.

- (3) **Commission** – The Public Utility Commission of Texas.
- (4) **Competitive affiliate** – An affiliate of Lone Star that provides services or sells products in a competitive energy-related market in the State of Texas, including telecommunications services, to the extent those services are energy-related.
- (5) **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 Lone Star's transmission system, proprietary customer information, trade secrets, competitive information relating to internal manufacturing processes, and information about Lone Star's transmission system, operations, or plans for expansion.
- (6) **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 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, corporate planning, engineering and construction services and transmission system operations, for Commission-jurisdictional or non-jurisdictional utilities, as described in waivers approved by the Public Utility Commission of Texas. Except as approved by the Commission, examples of services 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.
- (7) **Proprietary customer information** - Any information compiled by Lone Star 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.

- (8) **Similarly situated** – The standard for determining whether a non-affiliate is entitled to the same benefit Lone Star 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 Lone Star’s competitive affiliates are similarly situated to Lone Star’s competitive affiliates.
 - (9) **Transaction** – Any interaction between Lone Star and its affiliate in which a service, good, asset, product, property, right, or other item is transferred or received by either Lone Star or its affiliate.
- (d) **Separation of Lone Star from its affiliates.**
- (1) **Separate and independent entities.** Lone Star shall be a separate, independent entity from any competitive affiliate.
 - (2) **Sharing of employees, facilities, or other resources.** Except as otherwise allowed in this Code or otherwise approved by the Commission, Lone Star shall not share employees, facilities, or other resources with its competitive affiliates unless Lone Star can prove to the Commission prior to such sharing that the sharing will not compromise the public interest. Such sharing may be allowed if Lone Star 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 Lone Star 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.
 - (3) **Sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services.** Lone Star and a competitive affiliate may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services, if Lone Star implements safeguards that the Commission determines are adequate 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 Lone Star 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.
 - (4) **Employee transfers and temporary assignments.** Lone Star shall not assign, for less than one year, its employees engaged in transmission system operations to a competitive affiliate unless the employee does not have knowledge of confidential information. Lone Star employees engaged in transmission system operations, including persons employed by a service company affiliated with Lone Star who are engaged in transmission system operations on a day-to-day basis or have knowledge of transmission system operations and are transferred to a competitive affiliate, shall not remove or otherwise provide or use confidential

property or information gained from Lone Star or 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. Movement of an employee engaged in transmission system operations, including a person employed by a service company affiliated with Lone Star who is engaged in transmission system operations on a day-to-day basis or has knowledge of transmission system operations from Lone Star 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 Lone Star to an affiliate results in Lone Star bearing no ongoing costs associated with that employee. Transferring employees shall sign a statement indicating that they are aware of and understand the restrictions and penalties set forth in this section. Lone Star 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. The exception to this provision is that 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 such a deviation from the Code, Lone Star 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.

Sharing of office space. Lone Star's office space shall be physically separate from that of its competitive affiliates, where 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.

- (5) **Separate books and records.** Lone Star and its affiliates shall keep separate books of accounts and records, and the Commission may review records relating to a transaction between Lone Star and an affiliate.
 - (A) In accordance with generally accepted accounting principles or state and federal guidelines, as appropriate, Lone Star shall record all transactions with its affiliates, whether they involve direct or indirect expenses.
 - (B) Lone Star shall prepare financial statements that are not consolidated with those of its affiliates.
 - (C) Lone Star and its affiliates shall maintain sufficient records to allow for an audit of the transactions between Lone Star and its affiliates. At any time, the Commission may, at its discretion, require Lone Star to initiate, at Lone Star's expense, an audit of transactions between Lone Star and its affiliates performed by an independent third party.
- (6) **Limited credit support by Lone Star.** Lone Star may share credit, investment, or financing arrangements with its competitive affiliates if it

complies with the following provisions:

- (A) Lone Star 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 Lone Star 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.
 - (B) Lone Star shall not allow a competitive affiliate to obtain credit under any arrangement that would include a specific pledge of any assets in the rate base of Lone Star or a pledge of cash reasonably necessary for Lone Star operations. This subsection does not affect Lone Star's obligations under other law or regulations, such as the obligations of a public utility holding company under Commission Substantive Rule §25.271(c) (2) (relating to Foreign Utility Company Ownership by Exempt Holding Companies).
- (e) Transactions between Lone Star and its affiliates.
- (1) **Transactions with all affiliates.** Lone Star shall not subsidize the business activities of any affiliate with revenues from a regulated service. In accordance with PURA and the Commission's rules, Lone Star 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.
 - (A) **Sale of products or services by Lone Star.** Unless otherwise approved by the Commission and except for corporate support services, any sale of a product or service by Lone Star 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 Lone Star makes those products and services available to its affiliates.
 - (B) **Purchase of products, services, or assets by Lone Star from its affiliate.** Products, services, and assets shall be priced at levels that are fair and reasonable to the customers of Lone Star and that reflect the market value of the product, service, or asset.
 - (C) **Transfers of assets.** Assets transferred from Lone Star to its affiliates shall be priced at levels that are fair and reasonable to the customers of Lone Star and that reflect the market value of the assets or Lone Star's fully allocated cost to provide those assets.
 - (2) **Transactions with competitive affiliates.** Unless otherwise allowed in this subsection, transactions between Lone Star and its competitive affiliates shall be at arm's length. Lone Star 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, which shall include the date of the transaction, name of affiliate involved, name of a Lone Star employee knowledgeable about the transaction, and a description of the

transaction, shall be maintained by Lone Star for three years. In addition to the requirements specified in paragraph (1) of this subsection, the following provisions apply to transactions between utilities and their competitive affiliates.

- (A) **Provision of corporate support services.** Lone Star may engage in transactions directly related to the provision of corporate support services with its competitive affiliates. Such provision of corporate support services shall not allow or provide a means for the transfer of confidential information from Lone Star to the competitive affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of the competitive affiliate.
- (B) **Purchase of products or services by Lone Star from its competitive affiliate.** Except for corporate support services, Lone Star 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.
- (1) **Notice.** Lone Star shall provide reasonable notice of any request for proposals required pursuant to this section. Such notice shall include:
- (A) notice by publication in trade journals or newspapers as appropriate;
 - (B) notice by mail to persons who previously requested to be notified of the request for proposals; and
 - (C) conspicuous notice on the utility's Internet site or other public electronic bulletin board.
- (2) **Independent evaluator.** Lone Star 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, Lone Star 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. Lone Star retains responsibility for final selection of products or services.
- (3) **Competitive bidding procedures.** Lone Star 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.
- (A) 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.
 - (B) Lone Star shall strictly enforce the criteria specified in the request for proposals.
- (4) **Evaluation of bids.** Lone Star or independent evaluator, as appropriate, shall evaluate each bid submitted in accordance with the criteria specified in the request for proposals. Lone Star or

independent evaluator may not give preferential treatment or consideration to any bid.

- (5) **Rejection of bids.** Lone Star 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.

If a contract is awarded to an affiliate, Lone Star 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 described in this section. A contract shall include, at a minimum, the following provisions:

- (1) the effective date of the agreement and parties to the agreement;
- (2) the term of the agreement;
- (3) a narrative describing the products or services provided to Lone Star, 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 Lone Star to the competitive affiliate;
- (4) the obligations of the parties;
- (5) the price for those products, services, or assets governed by the contract; and
- (6) billing and payment procedures.

- (C) **Transfers of assets.** Any transfer from Lone Star 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 subject to the provisions of the Commission's Substantive Rule §25.273 formalized in a contract.

- (f) Safeguards relating to provision of products and services.

- (1) **Products and services available on a non-discriminatory basis.** If Lone Star 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. Lone Star shall process all requests for a product or service from competitive affiliates or similarly situated non-affiliated entities on a non-discriminatory basis. If Lone Star's tariff allows for discretion in its application, Lone Star 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 Lone Star's tariff allows no discretion in its application, Lone Star shall strictly apply the tariff. Lone Star shall not use customer-specific contracts to circumvent these requirements, nor 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.
- (2) **Discounts, rebates, fee waivers, or alternative tariff terms and conditions.**

If Lone Star 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 nondiscriminatory basis, to all similarly situated non-affiliates. Lone Star 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; 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; documentation of any cost differential underlying the benefit; and the procedures by which non-affiliates may obtain the same benefit. Lone Star shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to Lone Star and the third party. Lone Star 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.

- (3) **Tying arrangements prohibited.** Unless otherwise allowed by the Commission, Lone Star 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 Lone Star or its competitive affiliate.
- (g) Information safeguards.
- (1) **Proprietary customer information.** Lone Star shall provide a customer with the customer's proprietary customer information, upon request by the customer. Unless Lone Star obtains prior affirmative written consent or other verifiable authorization from the customer as determined by the Commission, or unless otherwise permitted under this Code, it shall not release any proprietary customer information to a competitive affiliate or any other entity, other than the customer, an independent transmission organization, as defined by PURA §39.151, or a provider of corporate support services for the sole purpose of providing corporate support services. Lone Star shall maintain records that include the date, time, and nature of information released when it releases customer proprietary information to another entity in accordance with this paragraph. Lone Star shall maintain records of such information for a minimum of three years, and shall make the records available for third party review within 72 hours of a written request, or at a time mutually agreeable to Lone Star and the third party. 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. 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.
 - (A) **Exception for law, regulation, or legal process.** Lone Star may release

proprietary customer information to another entity without customer authorization where authorized or requested to do so by the Commission or where required to do so by law, regulation, or legal process.

- (B) **Exception for release to governmental entity.** Lone Star may release proprietary customer information without customer authorization to a federal, state, or local governmental entity or in connection with a court or administrative proceeding involving the customer or Lone Star; provided, however, that Lone Star 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.
 - (C) **Exception for release to providers of last resort.** Lone Star may provide proprietary customer information to a provider of last resort without customer authorization for the purpose of serving customers who have been switched to the provider of last resort.
- (2) **Nondiscriminatory availability of aggregate customer information.** Lone Star may aggregate non-proprietary customer information, including, but not limited to, information about Lone Star's energy purchases, sales, or operations or about Lone Star's energy-related goods or services. However, except in circumstances solely involving the provision of corporate support services in accordance with this Code, Lone Star shall aggregate non-proprietary customer information for a competitive affiliate only if Lone Star 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, no later than 24 hours prior to Lone Star's provision to its competitive affiliate of aggregate customer information, Lone Star shall post a conspicuous 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. Lone Star shall maintain records of such information for a minimum of three years, and shall make such records available for third party review within 72 hours of a written request, or at a time mutually agreeable to Lone Star and the third party.
- (3) **No preferential access to transmission information.** Lone Star shall not allow preferential access by its competitive affiliates to information about its transmission systems.
- (4) **Other limitations on information disclosure.** Nothing in this Code 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.

- (5) **Other information.** Except as otherwise allowed in this Code or authorized by the Commission, Lone Star shall not share information, except for information required to perform allowed corporate support services, with competitive affiliates. Information that is publicly available, or that is unrelated in any way to utility activities, may be shared.
- (h) Safeguards relating to joint marketing and advertising.
- (1) Joint marketing, advertising, and promotional activities.
- (A) Lone Star shall not:
- (i) provide or acquire leads on behalf of its competitive affiliates;
 - (ii) solicit business or acquire information on behalf of its competitive affiliates;
 - (iii) give the appearance of speaking or acting on behalf of any of its competitive affiliates;
 - (iv) 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;
 - (v) represent to customers or potential customers that it can offer competitive retail services bundled with its tariffed services; or
 - (vi) request authorization from its customers to pass on information exclusively to its competitive affiliate.
- (B) Lone Star 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. Such joint marketing, advertising, or promotional activities include, but are not limited to, the following activities:
- (i) acting or appearing to act on behalf of a competitive affiliate in any communications and contacts with any existing or potential customers;
 - (ii) joint sales calls;
 - (iii) joint proposals, either as requests for proposals or responses to requests for proposals;
 - (iv) joint promotional communications or correspondence, except that Lone Star may allow a competitive affiliate access to customer bill advertising inserts according to the terms of a Commission-approved tariff so long as access to such inserts is made available on the same terms and conditions to non-affiliates offering similar

services as the competitive affiliate that uses bill inserts;

- (v) joint presentations at trade shows, conferences, or other marketing events within the State of Texas; and
- (vi) providing links from Lone Star's Internet web site to a competitive affiliate's Internet web site.

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

(2) **Requests for specific competitive affiliate information.** If a customer or potential customer makes an unsolicited request to Lone Star for information specifically about any of its competitive affiliates, Lone Star may refer the customer or potential customer to the competitive affiliate for more information. Under this paragraph, the only information that Lone Star may provide to the customer or potential customer is the competitive affiliate's address and telephone number. Lone Star 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 Lone Star. When providing the customer or potential customer information about the competitive affiliate, Lone Star 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.

(3) **Requests for general information about products or services offered by competitive affiliates and their competitors.** If a customer or potential customer requests general information from Lone Star about products or services provided by its competitive affiliate or its affiliate's competitors, Lone Star shall not promote its competitive affiliate or its affiliate's products or services, nor shall Lone Star offer the customer or potential customer any opinion regarding the service of the competitive affiliate or any other service provider. Lone Star 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, but Lone Star may not refer the customer or potential customer to the competitive affiliate except as provided for in this subsection.

(i) Remedies and enforcement.

(1) **Ensuring compliance for new affiliates.** Lone Star and a new affiliate are bound by the Code immediately upon creation of the new affiliate. Upon the creation of a new affiliate, Lone Star 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, Lone Star shall file an update to its internal Code and compliance plan, including all changes due to the addition of the new affiliate. Lone Star shall ensure that any interaction with the new affiliate is in compliance with this section.

- (2) **Compliance Audits.** At a minimum, every three years, Lone Star shall have an audit prepared by independent auditors that verifies that Lone Star is in compliance with this Code. Lone Star 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 Lone Star ratepayers.
- (3) **Informal complaint procedure.** Lone Star has established the complaint procedure for addressing alleged violations of this Code contained in Attachment A. All complaints shall be placed in writing and shall be referred to a designated officer of Lone Star. 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 the specific claim. The designated officer shall acknowledge receipt of the complaint in writing within five working 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 Lone Star and the complainant are unable to resolve the complaint, the complainant may file a formal complaint with the Commission. Lone Star 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. Lone Star and the complainant shall make a good faith effort to resolve the 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 Lone Star on its own motion.
- (4) **Enforcement by the Commission.** A violation or series or set of violations of this section 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.
 - (A) In addition to other methods that may be available, the Commission may enforce the provisions of this rule by:
 - (i) seeking an injunction or civil penalties to eliminate or remedy the violation or series or set of violations;
 - (ii) suspending, revoking, or amending a certificate or registration as authorized by PURA §39.356; or
 - (iii) pursuing administrative penalties under PURA, Chapter 15, Subchapter B.

- (B) The imposition of one penalty under this section does not preclude the imposition of other penalties as appropriate for the violation or series or set of violations.
- (C) In assessing penalties, the Commission shall consider the following factors:
 - (i) the utility's prior history of violations;
 - (ii) the utility's efforts to comply with the Commission's rules, including the extent to which the utility has adequately and physically separated its office, communications, accounting systems, information systems, lines of authority, and operations from its affiliates, and efforts to enforce these rules;
 - (iii) the nature and degree of economic benefit gained by the utility's competitive affiliate;
 - (iv) the damages or potential damages resulting from the violation or series or set of violations;
 - (v) the size of the business of the competitive affiliate involved;
 - (vi) the penalty's likely deterrence of future violations; and
 - (vii) such other factors deemed appropriate and material to the particular circumstances of the violation or series or set of violations.
- (j) **Reporting of Affiliate Transactions:** Lone Star shall comply with P.U.C. SUBST. R. 25.84 concerning reporting of affiliate transactions. The requirements of Sub Rule 25.84 are as follows:
 - (A) **Purpose.** This section establishes reporting requirements for transactions between utilities and their affiliates.
 - (B) **Application.** This section applies to:
 - (1) electric utilities operating in the State of Texas as defined in the Public Utility Regulatory Act (PURA) §31.002(6), and transactions or activities between electric utilities and their affiliates, as defined in PURA §11.003(2); and
 - (2) transmission and distribution utilities operating in a qualifying power region in the State of Texas as defined in PURA §31.002(19) upon Commission certification of a qualifying power region pursuant to PURA §39.152, and transactions or activities between transmission and distribution utilities and their affiliates, as defined in PURA §11.003(2).
 - (C) **Definitions.** Any terms defined in Commission Substantive Rule §25.272 (relating to Code of Conduct for Electric Utilities and Their Affiliates) have the same meanings herein.

- (D) **Annual report of affiliate activities.** A "Report of Affiliate Activities" shall be filed annually with the Commission. Using forms approved by the Commission, a utility 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.
- (E) **Copies of contracts or agreements.** A utility 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 subsection (d) of this section. 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.
- (F) **Tracking migration of employees.** A utility shall track and document the movement between the utility and its competitive affiliates of all employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with the utility 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 the utility'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.
- (G) **Annual reporting of informal complaint resolution.** A utility shall report to the Commission information regarding the nature and status of informal complaints handled in accordance with the utility's procedures developed pursuant to Commission Substantive rule §25.272(i) (4) (relating to Code of Conduct for Electric Utilities and Their Affiliates). 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 the utility's Report of Affiliate Activities.
- (H) **Reporting of deviations from the Code of Conduct.** A utility shall report information regarding the instances in which deviations from the Code were necessary to ensure public safety and system reliability pursuant to Commission Substantive Rule §25.272(d) (4). The information reported shall include the nature of the circumstances requiring the deviation, the action taken by the utility and the parties involved, and the date of the deviation. Within 30 days of each deviation, the utility 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 the utility's Report of Affiliate Activities.

- (I) **Annual update of compliance plans.** Initial plans for compliance with Commission Substantive Rule §25.272 (relating to Code of Conduct for Electric Utilities and Their Affiliates) shall be supplied as a part of the utility's unbundling plan filed pursuant to PURA §39.051. The utility shall post a conspicuous notice of newly created affiliates and file any related updates to the utility's compliance plan on a timely basis pursuant to Commission Substantive Rule §25.272(i) (2). Additionally, the utility 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.

**ATTACHMENT A
INFORMAL COMPLAINT PROCEDURE**

Lone Star establishes this process by which alleged violations of the Commission's rules regarding the Code of Conduct will be investigated by an officer of Lone Star, and the results of that investigation will be communicated to the complainant. Lone Star's designated officer is the President of Lone Star at 5920 West William Cannon Drive, Building 2, Austin, Texas 78749.

Commission rules require that complaints pursuant to the Code of Conduct be placed in writing. The complaint must contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. Lone Star will acknowledge receipt of the complaint within five working days of receipt, and will provide a written report communicating the results of the preliminary investigation within 30 days after receipt of the complaint. The results will include a description of any course of action that will be taken.

In the event Lone Star is unable to resolve the complaint, the designated officer will notify the complainant of his or her right to file a formal complaint with the Commission, and will provide the complainant with the Commission's address and telephone number. Lone Star will make a good faith effort to resolve the complaint on an informal basis as promptly as practicable. This informal complaint process is not a prerequisite for filing a formal complaint with the Commission. Lone Star will report annually information regarding the resolution of informal complaints as required by Commission rules.