

**SHARYLAND UTILITIES, L.P.
CODE OF CONDUCT COMPLIANCE MANUAL**

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CODE OF CONDUCT
COMPLIANCE MANUAL
FOR THE STATE OF TEXAS**

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I. GENERAL POLICY
A. General

The Public Utility Commission of Texas (“PUCT”) has adopted code of conduct rules that apply primarily to the interaction between Sharyland Utilities, L.P.’s (“SU”) transmission and distribution utility’s operations in Texas and its retail competitive affiliates that operate in Texas. In addition, some of the provisions apply to all affiliates.

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

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

SU 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 SU.

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 Department (“ACD”).

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 SU or its affiliates under orders or regulations of the Federal Energy Regulatory Commission (“FERC”) or the Securities and Exchange Commission (“SEC”).

SU 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 SU 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 ACD.

C. Internal Code of Conduct

The compliance manual takes effect as the internal code of conduct on January 10, 2000. It is based on affiliate relationships that exist on January 10, 2000, and will be updated as necessary to ensure compliance with PURA and commission rules.

D. Definitions

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

Arms 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 PUCT 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. 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.

E. Applicability of Compliance Manual

The manual applies to all affiliates within the NCE system. Upon the creation of a new affiliate, SU 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, SU shall file an update to its internal code of conduct and compliance plan, including all changes due to the addition of the new affiliate. SU shall ensure that any interaction with the new affiliate is in compliance with this manual.

F. Affiliate Compliance Department

The ACD is being established to ensure that SU and its affiliates implement the manual diligently and systematically.

II. SEPARATION

A. Separate and Independent Entities

SU shall be a separate, independent entity from any competitive affiliate. 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

SU'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

SU and its affiliates shall keep separate books of accounts and records. In addition, SU shall prepare financial statements that are not consolidated with those of its affiliates. SU 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.

SU and its affiliates shall maintain sufficient records to allow for commission review or an audit of the transactions between Su and its affiliates.

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

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

D. Limited Credit Support

SU may share credit, investment, or financing arrangements with its competitive affiliates if it complies with the following:

- SU 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 Su 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.

- SU shall not allow an affiliate to obtain credit under any arrangement that would include a specific pledge of any assets in the rate base of SU or a pledge of cash reasonably necessary for SU operations. This provision does not affect SU's obligations under other law or regulations, such as the obligations of a public utility holding company under PUCT SUBST.R. §25.271© (2) (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, SU shall not share employees, facilities, or other resources with its competitive affiliates unless SU can prove to the commission prior to such sharing that the sharing will not compromise the public interest.

Such sharing may be allowed if SU 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 SU 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.

SU and a competitive affiliate may share common officers and directors, property, equipment, computer systems, information systems, and corporate support services, if SU: 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 SU 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.

III. EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS

A. General

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

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 SU employee that is assigned or transferred to a competitive affiliate shall not remove or otherwise provide or use confidential property or information gained from SU 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 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, SU 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 SU 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 results in SU bearing no ongoing costs associated with that employee.

Transferring employees shall sign a statement indicating that they are aware of an understanding of the restrictions and penalties set forth in this section.

SU 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

As a general principle, a separate affiliate created to perform corporate support services may share with its affiliates 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 SU 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.

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.

V. TRANSACTIONS BETWEEN SU AND AFFILIATES

A. General

SU 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 SU and any affiliate. Section VI sets forth additional provisions regarding transactions between SU and its competitive affiliates.

SU 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.

B. Sale of products or Services by SU

Any sale of a product or service by SU shall be governed by a tariff approved by the commission of a product or service by SU 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 SU makes those products and services available to its affiliates.

C. Purchase of products, Services or Assets by SU

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

D. Transfer of Assets

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

Exceptions to the above apply to asset transfers implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262, and transfers of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G. These exceptions must be reviewed by the PUCT pursuant to the applicable provisions of PURA, and any rules implementing those provisions.

VI. TRANSACTIONS BETWEEN SU 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 SU and its competitive affiliates shall be at arm's length. SU 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 an SU employee knowledgeable about the transaction, and a description of the transaction. Such records shall be maintained by SU for three years. See section XI for more details regarding record keeping requirements.

B. Products or Services Purchased by SU from Competitive Affiliate

Except for corporate support services, SU 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 PUCT SUBST.R. §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 SU 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 PUCT SUBST.R. §25.273.

Exceptions to the above apply to asset transfer implementing unbundling pursuant to PURA §39.051, asset valuation in accordance with PURA §39.262 and transfer of property pursuant to a financing order issued under PURA, Chapter 39, Subchapter G. These exceptions must be reviewed by the commission pursuant to the applicable provisions of PURA, and any rules implementing those provisions. See Section VII for details of the bidding process.

VII. REQUIREMENTS REGARDING CONTRACTS BETWEEN SU AND COMPETITIVE AFFILIATES

A. Purpose

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

B. Competitive Bidding

SU 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. This section does not apply to transfers that facilitate unbundling under PURA §39.051, asset valuation under PURA §39.262 or property transfers pursuant to a financing order issued under PURA, Chapter 39, Subchapter G.

(1) Notice

SU 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 SU's Internet site or other public electronic bulletin board.

(2) Independent Evaluator

SU 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, SU 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. SU retains responsibility for final selection of products or services.

(3) Procedures

SU 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. SU shall strictly enforce the criteria specified in the request for proposals.

(4) Evaluation of Bids

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

SU 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

SU 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 SU, 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 SU 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 SU 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.

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

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

SU shall not use customer-specific contracts to circumvent these requirements. SU 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 SU 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.

SU 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.

SU 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 SU and the third party. See Section XI for more details regarding record keeping requirements.

SU 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

Unless otherwise allowed by the commission through a rule or tariff prior to SU's unbundling pursuant to PURA §39.051, SU 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 SU or its competitive affiliate.

IX. INFORMATION SAFEGUARDS

A. Proprietary Customer Information

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

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

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

SU 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.

SU 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 SU 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.

To facilitate the transition to customer choice, SU may release proprietary customer information to its affiliated retail electric provider or providers of last resort only during the period of September 1, 2001, through December 31, 2001, or during a different period prescribed by the commission.

On or after January 1, 2002, SU may provide proprietary customer information to a provider of last resort for the purpose of serving customers who have been switched to the provider of last resort.

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

SU 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. SU 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 SU and the third party. See Section XI for more details regarding record keeping 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

SU may aggregate non-proprietary customer information including, but not limited to, information about SU's energy purchases, sales, or operations or about SU'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, SU shall aggregate non-proprietary customer information for a competitive affiliate only if SU 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 SU providing the aggregate customer information to its competitive affiliate, SU 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.

SU 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 SU and the third party. See Section XI for more details regarding record keeping requirements.

C. Transmission and Distribution Information

SU 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, SU shall not share information with competitive affiliates unless SU 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 share.

X. SAFEGUARDS RELATED TO JOINT MARKETING AND ADVERTISING

A. SU Name or Logo

Before September 1, 2005, SU shall not allow the use of its corporate name, trademark, brand, or logo by a competitive affiliate, on employee business cards or in any written or auditory advertisements of specific services to existing or potential residential or small commercial customers located within SU's certificated service area, whether through radio or television, Internet-based, or other electronic format accessible to the public, unless the competitive affiliate includes a disclaimer with its use of SU's corporate name, trademark, brand, or logo.

Such disclaimer of the corporate name, trademark, brand, or logo in the material distributed must be written in a bold and conspicuous manner or clearly audible, as appropriate for the communication medium, and shall state the following: “{Name of competitive affiliate} is not the same company as Sharyland Utilities, L.P. (SU) and is not regulated by the Public Utility Commission of Texas, and you do not have to buy {name of competitive affiliate}'s products to continue to receive quality regulated services from Sharyland Utilities, L.P. (SU)”

B. Joint Marketing, Advertising and Promotional Materials

SU 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.

SU 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 from SU's Internet web site to a competitive affiliate's Internet web site.

SU 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.

C. Non-Sales Meetings

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

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

SU shall not be listed 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.

D. Requests for Specific Competitive Affiliate Information

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

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

SU 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 SU.

When providing the customer or potential customer information about the competitive affiliate, SU 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.

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

E. Requests for General Information

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

SU 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.

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

XI. RECORD KEEPING REQUIREMENTS

SU 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.

SU shall maintain such records for a minimum of three years and longer if the PUCT or another government agency so requires. SU shall make such records available for third party review upon 72 hours 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 utility employee knowledgeable about the transaction
- Description of the transaction

Transfer of Assets

The records will include:

- Date of transfer
- Name of affiliate
- Name of utility 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 the commission, SU 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

SU 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 refiling the entire contract or agreement.

C. Tracking Migration of Employees

SU shall track and document the movement between SU and its competitive affiliates of all employees engaged in transmission or distribution system operations, including persons employed by a service company affiliated with SU 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 SU’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

SU 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 SU's Report of Affiliate Activities.

E. Reporting of Deviations from the Code of Conduct

SU 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 SU and the parties involved, and the date of deviation. Within 30 days of each deviation, SU 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 SU's Report of Affiliate Activities.

F. Annual Update of Compliance Plans

Initial plans for compliance shall be supplied as a part of SU's unbundling plan. SU shall post a conspicuous notice of newly created affiliates and file any related updates to SU's compliance plan on a timely basis. Additionally, SU shall

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

XIII. COMPLIANCE AUDITS

No later than one year after SU has unbundled pursuant to PURA §39.051, and, at a minimum, every third year thereafter, SU shall have an audit prepared by independent auditors that verifies that SU is in compliance with this section. SU 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.

In addition to the audit requirements, SU's internal audit services group will incorporate code of conduct review into its annual corporate compliance review.

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 PUCT or FERC guidelines related to affiliate transactions.

XII. REMEDIES AND ENFORCEMENT

A. Informal Compliant Procedure

SU shall establish and file with the commission a complaint procedure for addressing alleged violations of this section. This procedure shall contain a mechanism whereby all complaints shall be placed in writing and shall be referred to a designated officer of SU. 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 SU and the complainant are unable to resolve the complaint, the complainant may file a formal complaint with the commission. SU shall notify the complainant of his or her right to file a formal complaint with the PUCT, and shall provide the complainant with the PUCT's address and telephone number.

SU 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 SU on its own motion.

B. Enforced by the PUCT

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 PUCT 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 PUCT shall consider the following factors:

- SU's prior history of violations;
- SU's efforts to comply with the commission's rules, including the extent to which SU 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 PUCT's affiliate rules shall confer immunity from state or federal antitrust laws. Sanctions imposed by the PUCT for violations of this 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 PUCT'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. Internal Code of Conduct.....	(i)(1)
	D. Definitions.....	(c)
	E. Applicability of Compliance Manual.....	(i)(2)
	F. Affiliate Compliance Department.....	
II.	SEPARATION	
	A. Separate and Independent Entities.....	(d)(1)
	B. Sharing of Office Space.....	(d)(5)
	C. Separate Books & Records.....	(d)(6)
	D. Limited Credit Support.....	(d)(7)
	E. Sharing of Employees, Facilities, or Other Resources.....	(d)(2)
	F. Sharing of Officers and Directors, Property, Equipment, Computer System, Information Systems and Corporate Support Services.....	(d)(3)
III.	EMPLOYEE TRANSFERS, TEMPORARY ASSIGNMENTS	
	A. General.....	(d)(4)
	B. Process to Follow.....	(d)(4)
IV.	CORPORATE SUPPORT SERVICES	
	A. General.....	(e)(2)(A)
	B. Permitted Corporate Support Services.....	(e)(2)(A)
V.	TRANSACTIONS BETWEEN SU AND AFFILIATES	
	A. General.....	(e)(2)
	B. Sale of Products or Services by SU.....	(e)(1)(A)
	C. Purchase of Products, Services or Assets by SU.....	(e)(1)(B)
	D. Transfer of Assets.....	(e)(1)(C), (e)(1)(D)
VI.	TRANSACTIONS BETWEEN SU AND COMPETITIVE AFFILIATES	
	A. General.....	(e)(2)
	B. Products or Services Purchased by SU from its Competitive Affiliates.....	(e)(2)(B)
	C. Transfer of Assets.....	(e)(2)(C)

VII.	REQUIREMENTS REGARDING CONTRACTS BETWEEN SU AND COMPETITIVE AFFILIATES	
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	B. Competitive Bidding	25.273 (d)
	1. Notice	
	2. Independent Evaluation	
	3. Procedures	
	4. Evaluation of Bids	
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VIII.	SAFEGUARDS RELATING TO PROVISION OF PRODUCTS AND SERVICES	
	A. No Preferential Treatment.....	(f) (1)
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IX.	INFORMATION SAFEGUARDS	
	A. Proprietary Customer Information.....	(g) (1)
	B. Customer Information.....	(g) (2)
	C. Transmission and Distribution Information.....	(g) (3)
	D. Other Limitations on Information Disclosure.....	(g) (4)
	E. Other Information.....	(g) (5)
X.	SAFEGUARDS RELATED TO JOINT MARKETING AND ADVERTISING	
	A. SU Name or Logo.....	(h) (1)
	B. Joint Marketing, Advertising and Promotional Activities.....	(h)(2)(A), (h) (2) (B)
	C. Non-sales Meetings.....	(h) (2) ©
	D. Requests for Specific Competition Affiliate Information.....	(h) (3)
	E. Requests for General Information.....	(h) (4)
XI.	RECORD KEEPING 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)
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	F. Annual Update of Compliance Plans.....	25.84(i)

XIII. COMPLIANCE AUDITS.....(i) (3)

XIV. REMEDIES AND ENFORCEMENT

- A. Informal Complaint Procedure.....(i) (4)
- B. Enforcement by the PUCT.....(i) (5)
- C. No Immunity from Antitrust Enforcement.....(i) (6)
- D. No Immunity from Civil Relief.....(i) (7)

CUSTOMER CONSENT FORM

I, the undersigned customer, hereby authorize my distribution utility to release information about my historical energy usage and billing and payment information to (retail electric provider) for the purpose of evaluating my energy usage patterns and preparing an offer to supply my energy. This authorization in no way binds me to the purchase of any service or product from the Company named herein.

ACCOUNTS INCLUDED IN THIS AUTHORIZATION:

1. _____
ACCOUNT NUMBER SERVICE ADDRESS CITY

2. _____
ACCOUNT NUMBER SERVICE ADDRESS CITY

3. _____
ACCOUNT NUMBER SERVICE ADDRESS CITY

Distribution Utility Name _____

Customer Name _____

Billing Address _____

City _____ State _____ Zip _____

Phone (____) _____ - _____

Customer Signature _____ Date _____