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July 29, 2014

Re: Notice Regarding Future Implementation of Power Factor Adjustment

On behalf of Sharyland Utilities, L.P. (Sharyland), I am writing to let you know that beginning in August 2015, Sharyland customers with load exceeding 400 kW at a single meter point will be required to meet the Power Factor requirements contained within Sharyland's Tariff for Retail Delivery Service (Tariff). Sharyland's Tariff was approved by the Public Utility Commission of Texas earlier this year,¹ and went into effect on May 1, 2014, as customers transitioned to the competitive retail electric market. Section 5.5.5 of this Tariff requires customers to correct their Power Factor if it is less than 95% lagging, or be subject to a billing adjustment and reimburse Sharyland for the costs of any equipment necessary to correct the problem. A copy of the full Tariff provision is attached for your review and reference. Because the Power Factor requirement and adjustment provisions are new, Sharyland committed to provide one-year advance notice so that you will have time to evaluate your situation and take any necessary corrective actions prior to the implementation date.

Sharyland is committed to working with you as you assess your situation and decide whether corrective action is necessary. If you have questions or need additional information, please contact Doug McGee at (432) 684-0332 or by e-mail at DMcGee@sharyland.com.

Regards,

Greg Boggs
Vice President
Sharyland Utilities, L.P.

¹ *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rates*, Docket No. 41474 (Jan. 23, 2014).

I. Calculation of Power Factor Adjustment Monthly NCP kW

Step 1) Identify 15-minute peak interval for billing period:

Step 2) Select corresponding kWh and kVARh readings:

$$\begin{aligned} \text{e.g. } 250 &= \text{kWh} \\ 150 &= \text{kVARh} \end{aligned}$$

Step 3) Convert to kW:

$$\text{kW demand} = 250 \text{ kWh} / .25 = 1,000 = \text{kW}$$

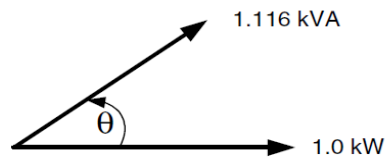
Step 4) Calculate kVAh:

$$\text{kVAh} = \sqrt{(\text{kWh})^2 + (\text{kVARh})^2} = \sqrt{(250)^2 + (150)^2} = \sqrt{62,500 + 22,500} = 292 \text{ kVAh}$$

Step 5) Calculate kVA:

$$\text{kVA} = 292 \text{ kVAh} / .25 = 1,168 = \text{kVA}$$

Step 6) Calculate Power Factor:



$$\text{kW/kVA} = 0.86 = \text{PF}$$

Step 7) Calculate Power Factor Adjusted Monthly NCP kW:

$$\text{Power Factor Adjusted Monthly NCP kW} = (\text{Actual Monthly NCP kW} \times 0.95) / \text{Current Month Power Factor}$$

$$(1,000 \text{ kW} \times .95) / 0.86 = 1,108 = \text{Adjusted Monthly NCP kW}$$