

**AFFILIATE RULES  
COMPLIANCE AUDIT  
OF  
TRANS BAY CABLE LLC**

**DRAFT REPORT**

**4/25/2021**

**Confidential**



**Vantage Energy Consulting, LLC**

Management Consulting and Energy Services

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## I. EXECUTIVE SUMMARY

### A. BACKGROUND

As stated in the Affiliate Transaction Rules Compliance Plan of June 15, 2020, Trans Bay Cable LLC's (U934-E) ("TBC" or "Company") owns and operates certain electric transmission facilities in California and must comply with the rules. This compliance occurs, due to the fact that on July 11, 2019, the California Public Utilities Commission (the "CPUC" or the "Commission") approved the acquisition of TBC by NextEra Energy Transmission, LLC ("NEET"), an indirect, wholly-owned subsidiary of NextEra Energy, Inc. ("NextEra"). Accordingly, TBC is subject to the Commission's Affiliate Transaction Rules ("Rules") and must file a plan and undergo regular audits.

The TBC Compliance Plan ("Compliance Plan") describes actions that TBC will take to comply with the Rules, including responsibilities and detailed methods for compliance. The purpose of the Compliance Plan is to facilitate TBC's implementation of the Rules and to ensure compliance with the Rules in order to ensure the avoidance of potential market-power abuses and cross-subsidization between regulated and unregulated activities through a culture of compliance that includes:

- A plan that incorporates the Rules and sets out how TBC and, to the extent applicable, NextEra Business Units can ensure sustainable compliance with the Rules; and
- Compliance tools for documenting requirements, assessing compliance with the Rules, and reporting as needed.

In this audit, Vantage Energy Consulting ("Vantage") addresses the Affiliate Rules being applied to transactions between TBC and affiliates engaging in the provision of a product<sup>1</sup> that uses electricity or the provision of services that relate to the use of electricity.

The Rules also apply to transactions between a Commission-regulated utility and another affiliated utility, unless specifically modified by the Commission. TBC is affiliated with Horizon West Transmission, LLC (U 222-E). Our audit will confirm that TBC monitors for the creation of new affiliates that meet either of these categories and updates the list in Attachment A by filing an advice letter with the Commission, as required in Rule VI.

The purpose of this audit of this Compliance Plan is to ensure TBC's compliance with the current Rules. As clearly stated in the plan, it does not address Federal Energy Regulatory Commission ("FERC") Standards of Conduct, North American Electric Reliability Corporation ("NERC") Reliability Standards, California Independent System Operator

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<sup>1</sup> A list of TBC's affiliates with which TBC shares resources or transacts, as well as those NextEra affiliates within California that meet the definition of a "Rule II.B. affiliate." Is included as Attachment A to the Compliance Plan.



Corporation (“CAISO”) requirements or with orders and rules of FERC or the Commission unrelated to the Rules.

## HISTORY

The Commission, as part of the deregulation of utility service beginning in the late 1980s, gave IOUs the authority to reorganize under a holding company structure with a parent company and subsidiaries. In order to mitigate concerns that under deregulation, there was potential for preferential treatment and cross-subsidization by the IOUs in favor of their nonregulated affiliates. Accordingly, the Commission adopted the ATRs in 1993 and has revised them periodically in response to new or revised legislation.

Notably, in response to the Energy Policy Act of 2005 which repealed the Public Utility Holding Company Act of 1935, the Commission issued Decision 06-12-029 in Rulemaking 05-10-030. After reviewing existing regulations, the Commission revised the ATRs to improve internal consistency and delete outdated provisions that concerned the original compliance of IOUs with the ATRs. Due to the issuance of the aforementioned D. 18-09-030, the ATRs are applicable to the Company for this audit of Calendar Year 2020.

On July 22, 2005, FERC issued an order<sup>2</sup> setting forth the rate principles and operational responsibilities pursuant to which TBC, the City of San Francisco (“City”) and Pittsburg Power would pursue the development, financing, construction and operation of a high voltage direct current (“HVDC”) transmission line that would be used to transmit electricity from an existing substation adjacent to the City, underneath San Francisco Bay, to an existing substation within the City. TBC was developed and approved in response to a 1998 blackout in the Bay Area, which demonstrated a need for greater resiliency of the electric grid in that region.

In September 2005, after a stakeholder process, CAISO selected TBC as the best transmission solution to provide reliable energy to the City of San Francisco. TBC is a 53-mile direct current electrical transmission cable with a fiber optic communication cables bundled together and buried in the San Francisco Bay. TBC consists of a High Voltage Direct Current (“HVDC”) submarine cable system that runs under the Bay from the cities of Pittsburg to San Francisco and provides approximately 40% of the electrical power used on a daily basis in San Francisco and the surrounding areas. After two years of construction delays, TBC was placed the project into service on November 23, 2010, and transferred to the operational control of CAISO. TBC, which is under CAISO control between two PG&E substations, is a federally identified “Critical Asset” in the Northern California electrical grid and is governed by FERC and the Commission.

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<sup>2</sup> See *Order Accepting Operating Memorandum*, 112 FERC ¶ 61,095 (2005). FERC granted TBC the following rate principles: (1) a post-tax 13.5 percent return on equity; (2) a three-year rate moratorium from the initial transmission revenue requirement filed pursuant to section 205; (3) a target 50/50 debt/equity capital structure; and (4) a 30-year depreciation period.



On March 21, 2019, FERC issued an order<sup>3</sup> approving as consistent with the public interest an application for a transaction by which NEET would acquire ownership of TBC. On July 16, 2019, NEET, a subsidiary of NextEra, completed its acquisition of TBC from affiliates of SteelRiver Infrastructure Fund North America. NEET is an indirect, wholly owned subsidiary of NextEra and was formed in 2007 to develop, own, and operate transmission facilities across the United States and Canada. NextEra also owns Florida Power & Light Company, a franchised public utility that provides wholesale and retail electric service to customers in Florida.

## A. REPORT ORGANIZATION

The layout for the report is as follows.

Chapter I - Executive Summary

Chapter II -Section 4 - Non-Discrimination

Chapter III -Section 5 - Disclosure and Information

Chapter IV - Section 6 - Separation of Trans Bay from its Affiliates

Chapter V - Section 7 - Regulatory Oversight

Chapter VI - Section 8 - Utility Product and Services

Chapter VII - Section 9 - Complaint Procedures and Remedies

## PROJECT SCOPE

The following scope was defined for this audit.

## SUMMARY OF RECOMMENDATIONS

After an in-depth review of the process followed as well as a review of selected transactions, Vantage concluded that Trans Bay Cable had prepared a well-written compliance plan and appears to be meeting all its requirements. Detail on our analysis follows this conclusion. A summary of recommendations we are making to enhance the process are included below.

**IV-R1     Track any changes to the plan in a separate document for use by auditors and CPUC staff in the future. (Priority: Medium)**

While this was the first audit, in the future, auditors will need to know what changes were made and the support or rationale for them. A memo that is made available to auditors or

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<sup>3</sup> See *Order Authorizing Disposition and Acquisition of Jurisdictional Facilities*, 166 FERC ¶ 61,188 (2019).

staff that describes the changes as well as the support for those changes will facilitate review.

**IV-R2     Post the FERC Form 1 for 2021 as soon as it is filed with FERC as per the Compliance Plan. (Priority: Low)**

The FERC Form 1 contains information on affiliate transactions. In addition to filing with FERC, it is to be posted electronically by TBC on its public website at (<http://www.transbaycable.com/>). A copy is also to be made available to Commission Energy Division Staff and California Public Advocates once it is filed with FERC.



## II. TASK 1 – SECTION 4 NON-DISCRIMINATION

### PROCEDURAL BACKGROUND

This chapter addresses:

- III.A. No Preferential Treatment Regarding Services Provided by the Company
- III.B. Affiliate Transactions
- III.C. Tying of Services Provided by a Utility Prohibited
- III.D. No Assignment of Customers
- III.E. Business Development and Customer Relations
- III.F. Affiliate Discount Reports

Vantage’s first activity on this task was to develop a set of evaluative standards for which performance could be measured against.

### Evaluative Standards

- The Company shall not represent, that as a result of the affiliation with the utility, its affiliates, or customers of its affiliates, will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers.
- The Company shall not provide its affiliates, or customers of its affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided.
- The Company transactions with affiliates shall be limited to tariffed products and services, which are made available to all market participants through an open, competitive bidding process.
- The Company shall ensure that when discounts or waivers for transactions are provided to affiliates, the discount or waiver will be contemporaneously provided to all other market participants.
- The Company shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.
- The Company shall not condition or otherwise tie the provision of any services provided by neither the utility, nor the availability of discounts or waivers, to the taking of any goods or services from its affiliates.
- The Company shall not:
  - provide leads to its affiliates;
  - solicit business on behalf of affiliates;
  - acquire information on behalf of, or provide to, its affiliates;
  - share market analysis reports or any types of proprietary or non-publicly available reports with its affiliates;
  - request authorization from its customers to pass on customer information exclusively to its affiliates;



- give any appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates;
- give any appearance that the affiliate speaks on behalf of the utility.
- The Company shall maintain reports regarding discount, rebate, or other waiver of any charge or fee associated with services provided by the utility, and within 24 hours of the time of the service, post a notice on its electronic bulletin board providing the following information:
  - the name of the affiliate involved in the transaction;
  - the rate charged;
  - the maximum rate;
  - the time period for which the discount or waiver applies;
  - the quantities involved in the transaction;
  - the delivery points involved in the transaction;
  - any conditions or requirements applicable to the discount or waiver and documentation of the cost differential underlying the discount;
  - procedures by which a non-affiliated entity may request a comparable offer.
- The Company shall maintain a report for each billing period when providing an affiliate, a discounted rate which contains the following information:
  - the name of the entity being provided services provided by the utility in the transaction;
  - the affiliate's role in the transaction;
  - the duration of the discount or waiver;
  - the maximum rate;
  - the rate or fee actually charged during the billing period;
  - the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.
- The Company shall maintain all records pursuant to affiliate discount reports in conformance to FERC rules.

## FINDINGS AND CONCLUSIONS

### IV-F1 The majority of the provisions of ATR Section 4- Non-Discrimination do not apply to TBC.

As we discuss throughout this report, TBC represents a different utility structure and provision of electric service than that normally found in affiliate transaction reviews of California utilities for which the rules were originally intended. This is succinctly explained in the TBC Compliance Plan.

“As a transmission-only utility that provides transmission service only through the California Independent System Operator Corp. (“CAISO”), TBC provides wholesale transmission service exclusively through its FERC-approved Transmission Owner Tariff, which is posted publicly and available through the FERC e-tariff website (<https://www.ferc.gov/docs-filing/etariff.asp>). TBC’s rates for wholesale transmission





service are regulated exclusively by FERC and charged through the CAISO Transmission Access Charge. TBC implements its tariff and rates in a non-discriminatory fashion.<sup>4</sup>

Despite this, Vantage still investigated TBC affiliate transactions to insure that indeed, all ATRs that did apply had been reviewed and a plan implemented for compliance.

**IV-F2 TBC does obtain certain support services from affiliates.**

For these services, TBC maintains affiliate support services agreements.<sup>5</sup> These agreements identify the range of products and services related to corporate governance and support that can be shared.<sup>6</sup> This information is available publicly as described in the updated affiliate transaction plan.

In accordance with D.20-05-012, TBC will continue to provide a copy of its FERC Form 1, which will contain information regarding its affiliate transactions, if any, to the Commission Energy Division Staff once it is filed with FERC

**IV-F3 TBC does not offer discounts or preferential treatment to affiliates.**

Given the structure of TBC, its services and its oversight, TBC has no opportunity to provide discounts or preferential treatment. As per the TBC compliance plan, affiliate financial transactions are detailed in the FERC Form 1. For the 2020 report this is found on page 429 under the schedule "TRANSACTIONS WITH ASSOCIATED (AFFILIATED COMPANIES)".

**IV-F4 TBC provides an appropriate clarification to Rule 4.2.2.**

For clarity, TBC also does not interpret "a transaction in which its affiliates are involved" as applying to vendor discounts passed through pro rata to affiliates in connection with joint purchases permissible under Rule V.D. or to shared corporate support services under Rule V.E., since such discounts are not associated with services provided by TBC and are not available to other market participants.<sup>7</sup>

**IV-F5 Affiliate rules training is handled appropriately.**

TBC provides formal training on an annual basis through the Learning Management System ("LMS").<sup>8</sup> Training records are also kept in the LMS as well as a trigger such that all new hires to NEET receive the training. The training for NEET employees is renewed annually.

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<sup>4</sup> TBC Compliance Plan Section 4.2, Page 7

<sup>5</sup> Audit Response 5

<sup>6</sup> TBC Compliance Plan, Section 4.2, Page 8

<sup>7</sup> TBC Compliance Plan, Section 4.2.2, Page 8

<sup>8</sup> Audit Response 17



Additionally, the list of individuals who have received California affiliate training is reviewed monthly to see if anyone needs to renew or take initial training. A quarterly notice is sent out to all NEET leaders to notify the Senior Compliance Analyst of any new employees or reassigned employees who work on TBC matters so that verification of training can be made.<sup>9</sup>

TBC ensures compliance with the Rules through annual training that is provided to all NextEra employees. All NEET employees and employees identified that support TBC complete the full California Affiliate Transactions rules training upon hire, upon transfer from another division at NextEra and annually thereafter. Additionally, all NextEra employees complete a combined training regarding the California Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements, within 30 days of employment and annually thereafter.<sup>10</sup>

**IV-R1 Track any changes to the plan in a separate document for use by auditors and CPUC staff in the future. (Priority: Medium)**

While this was the first audit, in the future, auditors will need to know what changes were made and the support or rationale for them. A memo that is made available to auditors or staff that describes the changes as well as the support for those changes will facilitate review.

**IV-R2 Post the FERC Form 1 for 2021 as soon as it is filed with FERC as per the Compliance Plan. (Priority: Low)**

The FERC Form 1 contains information on affiliate transactions. In addition to filing with FERC, it is to be posted electronically by TBC on its public website at (<http://www.transbaycable.com/>). A copy is also to be made available to Commission Energy Division Staff and California Public Advocates once it is filed with FERC.

This recommendation will follow through to any subsequent affiliate audits for verification.

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<sup>9</sup> Audit Response 18

<sup>10</sup> Audit Response 18 and 19



## II. TASK 2 – SECTION 5 DISCLOSURE AND INFORMATION

This task will review the rules prohibiting the disclosure of utility and utility customer information, with the exception of customer-specific information where the customer has consented to the disclosure. The Order Instituting Rulemaking (“OIR”)/Order Instituting Investigation (“OII”) also provides that the rules should address whether the utilities should be prohibited from providing leads to marketing affiliates, and whether there should be a prohibition on affiliates trading upon, promoting, or advertising their affiliate utilities. This task will be reviewed from a number of subtasks including:

- IV.A. Customer Information
- IV.B. Non-Customer Service Non-Public Information
- IV.C. Service Provider Information
- IV.D. Supplier Information
- IV.E. Affiliate-Related Advice or Assistance
- IV.F Record-Keeping
- IV. G. Maintenance of Affiliate Contracts and Related Bids
- IV.H. FERC Reporting Requirements

### Evaluative Standards

- The Company shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.
- The Company shall make non-customer specific non-public information available to the utility’s affiliates, only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection.
- Service provider information should be updated and distributed based on established procedures.
- The Company shall provide a list of all providers of gas-related, electricity-related, or other utility-related goods and services operating in its service territory upon customer request.
- The Company shall not provide its customers with any list of service providers, which includes or identifies the utility’s affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.
- The Company may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier.
- The Company shall not offer or provide customer’s advice or assistance with regard to its affiliates or other service providers.
- The Company shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff of contract provisions and all discounts.



- Tariffed and non-tariffed transactions shall be made available for third-party review within 72 hours' notice, and be maintained for a minimum of three years.
- The Company shall maintain a record of all contracts and related bids for the provision of work, products or services to and from the utility to its affiliates for no less than a period of three years, or longer if another government agency requires.
- The Company shall comply with all FERC rules regarding disclosure of information.

***III-F1***     **Service provider information is provided only to CAISO and only where it is relevant.**<sup>11</sup>

The Company provides operational data only to CAISO.

***III-F2***     **TBC has procedures and processes in place to comply with Rule IV.**

Even though situations where Rule IV would apply are rare, TBC does have procedures within their Compliance Plan to cover the unlikely occurrences. Some examples include:

**Addressing Rule IV.A. Customer Information**

Prior to releasing any customer information to any person or entity other than the customer, TBC will obtain the customer's prior written consent for the release of customer information, which shall be approved by the TBC Principal Attorney. TBC may provide customer information without obtaining the customer's prior written consent in the following circumstances:

- When information is provided to the customer via telephone (after appropriate authentication) and the customer allows a third party to listen to the information provided;
  - To assist emergency responders when there is an immediate threat to life or property;
  - To respond to a warrant or court or law enforcement order, or an order of a regulatory authority with appropriate jurisdiction, such as the Commission or FERC; or
  - As otherwise required by state or federal law or regulation.
- TBC will post on its website any transactions where customer information was released to an affiliate. These postings will not include customer-specific information or identification.<sup>12</sup>

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<sup>11</sup> Audit Response 26

<sup>12</sup> TBC Affiliate Rules Compliance Plan December 11, 2020 pgs. 11-12



### **Addressing Rule IV.B. Non-Customer Specific Non-Public Information**

TBC is also permitted to exchange confidential or proprietary information on an exclusive basis with its affiliates, as necessary to exchange this information with respect to joint purchases, the provision of corporate support services, or shared employees permitted by these Rules. The plan also describes specific safeguards surround TBC confidential information.

TBC has safeguards to protect TBC confidential information. Specifically, TBC confidential information may be provided to TBC personnel or affiliate personnel performing joint purchasing services under Rule V.D., providing corporate support services permitted by Rule V.E, or shared employees permitted under Rule V.G. Any personnel who possess TBC confidential information have a duty of care to protect that confidential information from access by a Rule II.B affiliate personnel. When a situation arises in which TBC confidential information may be discussed (e.g., meetings, presentations, or e-mail), it is the responsibility of the person that possesses TBC confidential information to ensure that the information is not being shared with a person that is restricted from receiving TBC confidential information.

If there is any question whether another individual is eligible to receive TBC confidential information, prior to sharing any TBC confidential information (unless during a system emergency), the person that possesses the TBC confidential information shall contact the TBC Principal Attorney, NextEra General Counsel and Compliance and Responsibility Organization (“CRO”) if warranted, will then either confirm or deny the request to share the confidential information. If confidential information is shared during a system emergency, as soon as reasonably practicable the TBC Regulatory and Business Manager must be notified.

### **Addressing Rule IV.D. Supplier Information**

TBC may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if TBC first obtains written affirmative authorization to do so from the supplier. TBC shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.

TBC does not interpret this Rule to apply to information about suppliers with whom affiliates may jointly purchase goods and services with TBC under Rule V.D.<sup>13</sup>

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<sup>13</sup> TBC Affiliate Rules Compliance Plan December 11, 2020 pg 13.



### III. TASK 3 – SECTION 6 SEPARATION OF TRANS BAY FROM ITS AFFILIATES

#### A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the rules to address separation standards. The rules should provide for The Company's and the affiliates' operations to be separate to prevent cross-subsidization of the marketing affiliate by the utility customers. The rules should require The Company and the affiliate to maintain separate books of accounts and records. The following subtasks will be reviewed to ensure compliance with the separation requirements:

- V.A. Corporate Entities
- V.B. Books and Records
- V.C. Sharing of Plant, Facilities, Equipment or Costs
- V.D. Joint Purchases
- V.E. Corporate Support
- V.F. Corporate Identification and Advertising
- V.G. Employees
- V.H. Transfer of Goods and Services

#### Evaluative Standards

- The Company and its affiliates shall be separate corporate entities.
- The Company and its affiliates shall keep separate books and records in accordance with applicable Uniform System of Accounts and Generally Accepted Accounting Procedures.
- The Company affiliate books and records shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314.
- The Company shall not share office space, office equipment, services, and systems with its affiliates.
- The Company shall not access the computer or information systems of its affiliates.
- The Company shall not make joint purchases of goods and services associated with the traditional utility merchant function.
- Joint purchases must be priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of the purchases in accordance with Commission allocation and reporting rules.
- The Company shall price, report, and conduct corporate support services joint utilization in accordance with the Separation and Information Standards, as well as other applicable Commission pricing and reporting requirements.
- The Company shall not trade upon, promote, or advertise its affiliation with the affiliate, nor allow the utility name or logo to be used by the affiliate.
- The Company shall not provide its affiliates any different treatment than any other service provider.



- The Company shall not offer or provide affiliates advertising space in utility billing envelopes unless it provides access to all other unaffiliated service providers on the same terms and conditions.
- The Company shall not participate in joint advertising or joint marketing with its affiliates, including but not limited to sales, communication with potential customers, trade shows, conferences, etc.
- The Company shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.
- The Company and its affiliates shall not jointly employ the same employees unless allowed within the corporate support rules of Decision 97-12-088.
- The Company shall verify in their compliance plan that specific mechanisms and procedures are in place to ensure that shared officers and directors are not used as a conduit to circumvent any of the rules of Decision 97-12-088.
- The Company shall track and report to the Commission all employee movement between the utility and affiliates.
- The Company employees who become employees of the affiliate may not return to the utility for a period of one year.
- The Company shall receive a one-time payment for employees transferred, assigned, or otherwise employed by the affiliate in the amount of 25% of the employee's base annual compensation.
- The Company shall account for transfer fees on an annual basis in a separate memorandum tracking account for future ratemaking treatment.
- The Company employees hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these rules.
- The Company shall not make temporary or intermittent assignments or rotations to its affiliates.
- Transfers of goods and services between the Company and its affiliates will be subject to the following pricing provisions:
  - Transfers from the Company to its affiliates of goods and services produced, purchased, or developed for sale on the open market will be priced at fair market value;
  - Transfers from an affiliate to the Company of goods and services produced, purchased, or developed for sale on the open market will be priced at no more than fair market value;
  - Goods and services regulated by state or federal agency will be deemed fair market value;
  - Goods and services produced, purchased or developed for sale on the open market by the Company will be provided to its affiliates and unaffiliated companies on a discriminatory basis;
  - Transfers from the Company to its affiliates of goods and services not produced, purchased, or developed for sale will be priced at fully loaded cost plus 5% of direct labor cost;



- Transfers from affiliates to the Company of goods and services not produced, purchased, or developed for sale will be priced at the lower of fully loaded cost or fair market value.

**IV-F1 TBC is a separate corporate entity as required under Affiliate Rules V.**

Trans Bay Cable, LLC was formulated on January 14, 2004 in the State of Delaware.

TBC maintains separate books and records including standalone financial statements. Further:

TBC's books and records are kept in accordance with applicable Uniform System of Accounts ("USOA") and Generally Accepted Accounting Procedures ("GAAP"). The books and records include all transactions with TBC's affiliates, whether they involve direct or indirect expenses.<sup>14</sup>

The plan calls for books and records of affiliates to be open for examination by the Commission and its staff consistent with the provisions of PU Code Section 314. PU Code Section 314 states that this shall be:

(a) The commission, each commissioner, and each officer and person employed by the commission may, at any time, inspect the accounts, books, papers, and documents of any public utility. The commission, each commissioner, and any officer of the commission or any employee authorized to administer oaths may examine under oath any officer, agent, or employee of a public utility in relation to its business and affairs. Any person, other than a commissioner or an officer of the commission, demanding to make any inspection shall produce, under the hand and seal of the commission, authorization to make the inspection. A written record of the testimony or statement so given under oath shall be made and filed with the commission.<sup>15</sup>

**IV-F2 TBC maintains separate office space.**

TBC maintains separate office space, office equipment, services, systems, and computer and information systems from its affiliates, except to the extent appropriate to perform shared corporate support functions described in Section 6.5 of the Compliance Plan.<sup>16</sup> TBC ensures that this sharing does not result in impermissibly sharing TBC confidential information with affiliates that are restricted from having such information through the annual training that is provided to all NextEra employees and by limiting access to TBC confidential information. only

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<sup>14</sup> TBC Affiliate Transaction Rules Compliance Plan December 11, 2020, Section 6.2, Pg 14

<sup>15</sup> California Public Utilities Code

<sup>16</sup> Compliance Plan Section 6.5 discusses corporate support services, services listed under Rule V.E and employee recruiting, engineering, and transmission operations services.



to affiliate employees that are assisting with joint purchases, are providing shared corporate support functions, or are shared employees, consistent with D.20-05-012.

TBC considers that financial, accounting, and purchasing systems are included within sharable support systems. TBC prevents access by unauthorized users to TBC confidential information through the use of user ID and passwords, and uses physical separation and separate information systems where computer security-based controls cannot effectively be established and separate information systems where computer security-based controls cannot effectively be established.

**IV-F3 TBC does not offer discounts or preferential treatment to affiliates.**

Given the structure of TBC, its services and its oversight, TBC has no opportunity to provide discounts or preferential treatment.

**IV-F4 TBC provides an appropriate clarification to Rule 4.2.2.**

For clarity, TBC also does not interpret “a transaction in which its affiliates are involved” as applying to vendor discounts passed through pro rata to affiliates in connection with joint purchases permissible under Rule V.D. or to shared corporate support services under Rule V.E., since such discounts are not associated with services provided by TBC and are not available to other market participants.<sup>17</sup>

**IV-F5 Affiliate rules communication and training is handled appropriately.**

TBC provides formal training on an annual basis through the Learning Management System (“LMS”).<sup>18</sup> Training records are also kept in the LMS as well as a trigger such that all new hires to NEET receive the training. The training for NEET employees is renewed annually. Additionally, the list of individuals who have received California affiliate training is reviewed monthly to see if anyone needs to renew or take initial training. A quarterly notice is sent out to all NEET leaders to notify the Senior Compliance Analyst of any new employees or reassigned employees who work on TBC matters so that verification of training can be made.<sup>19</sup>

TBC ensures compliance with the Rules through annual training that is provided to all NextEra employees.<sup>20</sup> All NEET employees and employees identified that support TBC complete the full California Affiliate Transactions rules training upon hire, upon transfer from another division at NextEra and annually thereafter. Additionally, all NextEra employees complete a combined

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<sup>17</sup> TBC Compliance Plan, Section 4.2.2, Page 8

<sup>18</sup> Audit Response 17

<sup>19</sup> Audit Response 18

<sup>20</sup> All NextEra employees, including those of TBC, complete a combined training program regarding the Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements within 30 days of employment and annually thereafter. The CRO is responsible for administering the training to NextEra employees. Each employee has the responsibility to complete the required training on a timely basis.

training regarding the California Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements, within 30 days of employment and annually thereafter.<sup>21</sup>

**IV-R2 Track any changes to the plan in a separate document for use by auditors and CPUC staff in the future. (Priority: Medium)**

While this was the first audit in the future, auditors will need to know what changes were made and the support or rationale for them. A memo that is made available to auditors or staff that describes the changes as well as the support for those changes will facilitate review.

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<sup>21</sup> Audit Response 18 and 19



## IV. TASK 4 – SECTION 7 REGULATORY OVERSIGHT

### A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the petitioners’ and respondents’ proposed consensus rule that existing Commission Rules for each utility and its parent holding company should continue to apply except to the extent they conflict with these Rules. In cases of a conflict, the Rules adopted today shall supersede prior Rules and guidelines. The Company is expected to adopt the provision that when more detailed but harmonious utility-specific holding company rules are adopted, both rules shall be abided by. Subtasks to be reviewed will include:

- VI.A. Compliance Plan
- VI.B. New Affiliate Compliance Plans
- VI.C. Affiliate Audit
- VI.D. Witness Availability

### EVALUATIVE STANDARDS

- The Company shall file Compliance plans, updated annually, demonstrating to the Commission that there are adequate procedures in place, that will preclude the sharing of information with its affiliates that is prohibited by these rules.
- The Company shall immediately notify the Commission of the creation of any new affiliate, as well as posting notice on its electronic bulletin board.
- The Company shall file Compliance plans, annually, by advice letter to all parties of the proceeding where there is a change in the compliance plan.
- The Company shall file an advice letter with the Energy Division of the Commission no later than 60 days after the creation of the affiliate, to demonstrate how the utility will implement the rules with respect to the new affiliate.
- The Company shall have audits prepared by independent auditors that verify compliance with the rules set forth in Decision 97-12-088.
- The Company shall make available affiliate officers and employees to testify before the Commission, as necessary or required without subpoenas, consistent with the provisions of Public Utilities Code Section 314.

### FINDINGS AND CONCLUSIONS

**V-F1 TBC meets the standards for complying with the Commission’s rules for regulatory oversight.**

Our interaction with TBC management, our review of the Compliance Plan and data requests as well as analysis of the plan, leads us to conclude that TBC meets the standards for complying with the Commission rules.



TBC's Compliance Plan conforms to the Commission's rules and regulations that it has adequate procedures in place to preclude sharing of prohibited information with its affiliates.

TBC's Compliance Plan conforms to the Commission's rules and regulations that it has adequate procedures in place to preclude sharing of prohibited information with its affiliates. During 2020, TBC filed in a timely manner all requisite Advice Letters informing the Commission of the creation of all new affiliates.

The 2020 Compliance Plan is TBC's initial audit filed with the Commission, so Vantage notes it is performing its role as an independent auditor for the first time and there are no auditor recommendations from any prior TBC plans to review. Vantage was assured by regulatory staff that all appropriate personnel are aware of this requirement and would be available to testify.

**V-F2 TBC plans to file its first compliance plan on May 1, 2021.**

The plan Vantage is auditing, once completed, will be filed by TBC with the CPUC as required.



## V. TASK 5 – SECTION 8 - UTILITY PRODUCT AND SERVICES

Unless otherwise approved by the Commission, any sale of a product or service by TBC will be governed by a tariff approved by FERC or the CPUC. Products and services will be made available to any third-party entity on the same terms and conditions as TBC makes those products and services available to its affiliates. Currently, TBC does not offer any non-tariff products or services. If TBC considers offering a non-tariff product or service, it will file an advice letter with the Commission according to the requirements of Rule VII.E.

### A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the rules recognizing that all energy utilities and their affiliates should be on an equal footing with regard to entry into the unregulated market for energy products and services. The question of whether energy utilities should be required to conduct unregulated or potentially competitive activities through affiliate companies, and if so, under what rules and criteria should be addressed by the parties as they discuss utility/affiliate standards of conduct. The following subtasks will be reviewed:

- General Rules and Definition;
- Conditions precedent of offering new products and services;
- Requirements to file an advice letter;
- Existing offerings;
- Section 851 application;
- Periodic reporting of non-tariffed products and services;
- Offering of non-tariffed products and services to affiliates.

## II. EVALUATIVE STANDARDS

- New products and services shall only be offered through the Company affiliates.
- The Company shall not offer for sale non-tariffed products and services with the following exceptions:
  - Existing products and services offered by the utility pursuant to tariff;
  - Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;
  - New products and services that are offered on a tariffed basis;
  - Products and services which are offered on a non-tariffed basis and which meet the following conditions:
    - o The non-tariffed product or service utilizes a portion of a utility asset or capacity;
    - o Such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;
    - o The involved portion of such asset or capacity may be used to offer the product or service on a non-tariffed basis without adversely affecting the cost, quality, or reliability of tariffed utility products and service;
    - o The products and services can be marketed with minimal or no incremental capital, minimal or no new forms of liability or business risk

- being incurred by the utility, and minimal or no direct management control;
- o The utility offering is restricted to less than 1% of the number of customers in the customer base.
- The Company may offer new non-tariffed products and services only if the Commission has adopted and the utility established:
  - A mechanism or accounting standard for allocating costs to each product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a non-tariffed basis;
  - A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism;
  - Periodic reporting requirements regarding pertinent information related to non-tariffed products and services;
  - Periodic auditing of the costs allocated to and the revenues derived from non-tariffed products and services;
- The Company will file an advice letter prior to offering a new category of non-tariffed products or services;
- The Company must comply fully with the provisions of Public Utilities Code Section 851 when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered as part of a non-tariffed product or service offering by the utility;
- The Company may only offer non-tariffed products and services to utility affiliates if in compliance with the provisions of the Affiliate Rules;
- The Company shall file periodic reports to the Commission's Energy Division, twice annually, when offering non-tariffed products and services.

## FINDINGS AND CONCLUSIONS

### VI-F1 TBC obtains certain support services from affiliates.

Details of support services from affiliates is included in Corporate Service agreements and Commission Decisions.



## VI. TASK 6 – SECTION 9 COMPLAINT PROCEDURES AND REMEDIES

Any employee participating in any activity or transaction within the scope of the TBC Compliance Plan is responsible for full compliance with all of the rules, requirements, policies, procedures, and the spirit of compliance. Failure to comply could expose NextEra or TBC to serious financial and/or legal risk and in certain cases may be grounds for disciplinary action up to and including termination of employment or, if applicable, criminal prosecution. The Commission strictly enforces these rules and each act or failure to act by TBC in violation of these rules may be considered a separate occurrence.

Any person or corporation may complain to the Commission or to TBC in writing, identifying a possible violation by TBC, any utility or affiliate of any rule set forth in this Compliance Plan.

### II. EVALUATIVE STANDARDS

- There should be a clear understanding of exactly which rules the Company must develop a compliance standard for.
- The Company must have well written descriptions of how it will comply with the portions of this rule they need to be prepared for.

### FINDINGS AND CONCLUSIONS

- VII-F1*     TBC's compliance plan provides details on exactly which rules the Company must develop a compliance standard for.
- VII-F2*     TBC's compliance plan provides details on how it complies with requirement for complaint procedures and remedies.



**APPENDIX A – TRANS BAY CABLE DATA REQUESTS AND RESPONSES**

Document Request		Response
1	Organization chart showing titles and names for Management Personnel	uploaded to SharePoint
2	Complete Compliance Plans	uploaded to SharePoint
<b>Task 1 - Non-Discrimination</b>		
3	Have there been any instances where the Company represented, that as a result of the affiliation with the utility, any of its affiliates, or customers of its affiliates, received different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers?	Not applicable to either TBC or HWT
4	Have there been any instances where the Company provided its affiliates, or customers of its affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided?	Not applicable to either TBC or HWT
5	Please confirm that transactions with affiliates are limited to tariffed products and services, which are made available to all market participants through an open, competitive bidding process.	generally not applicable for both HWT and TBC, however, both have affiliate transactions for corporate services per Corporate Service Agreements
6	Please confirm that when discounts or waivers for transactions are provided to affiliates, the discount or waiver is also contemporaneously provided to all other market participants.	Not applicable to either TBC or HWT
7	Provide the location that the information regarding discounts and waivers is posted and any standards around timing of the posting.	Not applicable to either TBC or HWT
8	Please confirm that the Company processes requests for similar services provided by the utility in the same manner and within the same time for its affiliates, and that it does for all other market participants and their respective customers	Not applicable to either TBC or HWT





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9	Please confirm that the Company does not condition or otherwise tie the provision of any services provided by neither the utility, nor the availability of discounts or waivers, to the taking of any goods or services from its affiliates.	Not applicable to either TBC or HWT
10	<p>Please confirm that the Company does not:</p> <ul style="list-style-type: none"> <li>- provide leads to its affiliates;</li> <li>- solicit business on behalf of affiliates;</li> <li>- acquire information on behalf of, or provide to, its affiliates;</li> <li>- share market analysis reports or any types of proprietary or non-publicly available reports with its affiliates;</li> <li>- request authorization from its customers to pass on customer information exclusively to its affiliates;</li> <li>- give any appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or</li> <li>- give any appearance that the affiliate speaks on behalf of the utility.</li> </ul>	Not applicable to either TBC or HWT



11	Please confirm that the Company maintains reports regarding discounts, rebates, or other waivers of any charge or fee associated with services provided by the utility, and within 24 hours of the time of the service, posts a notice on its electronic bulletin board providing the following information:- the name of the affiliate involved in the transaction;- the rate charged;- the maximum rate;- the time period for which the discount or waiver applies;- the quantities involved in the transaction;- the delivery points involved in the transaction; and- any conditions or requirements applicable to the discount or waiver and documentation of the cost differential underlying the discount.	Not applicable to either TBC or HWT
12	Provide the location of the bulletin board and confirm that all 2020 transactions (if any) remain accessible.	Not applicable to either TBC or HWT
13	Please confirm that the Company maintains a report for each billing period when providing an affiliate a discounted rate which contains the following information: - the name of the entity being provided services provided by the utility in the transaction; - the affiliate's role in the transaction; - the duration of the discount or waiver; - the maximum rate; - the rate or fee actually charged during the billing period; and - the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.	Not applicable to either TBC or HWT
14	Provide all reports referenced in Item 11 above. If none, then so state.	Not applicable to either TBC or HWT



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15	Describe all records that the Company maintains pursuant to affiliate discount reports in conformance to FERC rules and regulations. Specify the FERC rules in detail.	Not applicable to either TBC or HWT
16	Provide a sample of all records that the Company has maintained pursuant to affiliate discount reports in conformance to FERC rules and regulations. A sample will be selected by Vantage based on a list of all records.	Not applicable to either TBC or HWT
17	Provide an outline of formal Compliance Plan Training and other education programs developed for all employees having customer and/or affiliate contacts.	Formal training is provided on an annual basis through the Learning Management System ("LMS"). Powerpoint presentation used for training for TBC and NEET employees on CA Affiliate rules has been uploaded.
18	Describe how the tracking of employee affiliate training programs is maintained, especially for employees who change functions and affiliated entities.	All training is electronic thru LMS and training records are kept electronically for all employees; There is a rule set up in LMS for any NextEra Energy Transmission, LLC ("NEET") new hire to receive training automatically. The training for NEET employees is renewed annually. Additionally, the list of individuals who have received CA affiliate training is reviewed monthly to see if anyone needs to renew or take training. A quarterly notice is sent out to all NEET leaders to notify the Sr. Compliance Analyst of any new employees or reassigned employees who work on HWT or TBC matters so that verification of training can be made.



19	Provide outlines and/or access to training programs provided through the Internet and Intranet sites that address affiliate compliance training. Include initial and update training, schedules, and details on percentage of employees required that are not yet trained.	TBC and HWT ensure compliance with the Rules through annual training that is provided to all NextEra employees. All NEET employees and employees identified that support TBC and/or HWT complete the full CA Affiliate Transactions rules training upon hire, upon transfer from another division at NextEra and annually thereafter. Additionally, all NextEra employees complete a combined training regarding the CA Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements within 30 days of employment and annually thereafter. The Compliance & Responsibility Organization is responsible for administering the training and monitors to 100% completion.
20	Provide service requests in order to ensure that any requests for electric service are provided on a first-come, first-served basis. Include time- and date-stamps of service requests, as well as compare them to dates service of when work was performed.	Not applicable to either TBC or HWT
21	Provide a list of any assigned customers and reference rules that permit action.	Not applicable to either TBC or HWT
22	Provide discount and waiver reports in order that Vantage can ensure that all bulletin board filing information was provided.(see also item 5)	Not applicable to either TBC or HWT
23	Provide details of the process related to information on discount rate provisions for each billing period, as well as details as to how information is maintained.	Not applicable to either TBC or HWT
<b>Task 2 - Disclosure and Information</b>		



Trans Bay Cable Affiliate Audit

24	Provide references to policy showing the Company shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.	Not applicable to either TBC or HWT
25	Provide references to policy showing the Company shall make non-customer specific non-public information available to the utility's affiliates, only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection.	Not applicable to either TBC or HWT
26	Provide references to policy showing the service provider information should be updated and distributed based on established procedures.	See Compliance Plans; Provided relevant to CAISO only
27	Provide a list of all providers of electricity-related, or other utility-related goods and services operating in its service territory upon customer request.	Not applicable to either TBC or HWT
28	Verify that the Company shall not provide its customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.	Not applicable to either TBC or HWT
29	Verify that the Company may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier.	Not applicable to either TBC or HWT
30	Verify that the Company does not offer or provide customers advice or assistance with regard to its affiliates or other service providers.	Not applicable to either TBC or HWT



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31	Verify that the Company maintains contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff of contract provisions and all discounts.	Only records are Corporate Service type records with non IIB affiliates
32	Verify that the Company provides tariffed and non-tariffed transactions for third-party review within 72 hours' notice, and are maintained for a minimum of three years.	Not applicable to either TBC or HWT
33	Verify that the Company maintains a record of all contracts and related bids for the provision of work, products or services to and from the utility to its affiliates for no less than a period of three years, or longer if another government agency requires.	Only records are Corporate Service type records with non IIB affiliates
34	Verify that the Company complies with all FERC rules and regulations regarding disclosure of information. Provide a summary of all related rules and Company responses, if required.	confirmed. NEE has an overall FERC compliance policy that TBC and HWT adhere to.
35	Provide access to customer information logs and files that record requests for customer specific data. On a sample basis provide consultant data that determines that customers' signatures are on file.	Not applicable to either TBC or HWT
36	Verify that information is complete and maintained in a consistent manner in customer information logs and files. Information should include account, customer of record, date of request, date sent and information sent or similar fields. Provide a description of process or demonstrate to consultant.	Not applicable to either TBC or HWT
37	Provide information that shows that within the customer information request process, appropriate personnel have been trained to ensure consistent and accurate recording of information.	Not applicable to either TBC or HWT



38	Provide information that ensures that procedures and training exist to provide non-customers specific, non-public information provided to its affiliates to other parties by electronic bulletin board information. Provide access to Intranet and Internet sites, as appropriate to verify.	Not applicable to either TBC or HWT
39	Verify that all necessary employees have access to the Intranet site necessary to provide or describe procedures regarding the compilation and dissemination lists of service providers.	Not applicable to either TBC or HWT
40	Verify that all affiliate requests for supplier information are maintained within the Procurement Department with appropriate information and supplier authorization.	Not applicable to either TBC or HWT; See Compliance Plans
41	Verify public information documents used to respond to customer requests for advice or assistance. Ensure timelines and sample for accuracy	Not applicable to either TBC or HWT
42	Verify that the tariff and non-tariffed transactions records are maintained for a minimum of three years and are available for review within 72 hours.	Not applicable to either TBC or HWT
43	Identify if any bids fall under Rule IV.G. If so, verify that the contracts and related bid records are maintained for a minimum of three years.	Neither Company has any bids. Only contracts are the Corporate Services Agreements.
44	Verify that a centralized log of affiliate contracts has been developed to aid in both internal and external audit reviews.	confirmed. We maintain a list of all agreements executed with affiliates
45	Provide samples to determine if the log accurately represents the contracts with affiliates.	List of Affiliate Agreements uploaded
46	Provide a schedule of non-customer information supplied to affiliates. Verify that the information was contemporaneously posted.	Not applicable to either TBC or HWT. TBC and HWT do not provide non-consumer information to affiliates.
<b>Task 3 - Separation of HWT and TBC from affiliates</b>		



47	Provide details showing that the Company and its affiliates are separate corporate entities.	See corporate formation documents for HWT & TBC. All affiliates are separate entities with their own formation documents
48	Provide information showing that the Company and its affiliates keep separate books and records in accordance with applicable Uniform System of Accounts and Generally Accepted Accounting Procedures.	Please clarify what evidence is being requested.
49	Provide documentation or policy descriptions showing that the Company affiliate books and records are open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314. (Compliance with audit appears to accomplish this.)	HWT and TBC would comply with any request from the Commission. See Section 6.2 in the Compliance Plans
50	Verify that the Company does not share office space, office equipment, services, and systems with its affiliates.	HWT has received an exemption (See CPUC Decision 20-02-048); TBC does not share space
51	Verify that the Company does not access the computer or information systems of its affiliates.	See Section 6.3 of the Compliance Plans
52	Verify that the Company does not make joint purchases of goods and services associated with the traditional utility merchant function.	confirmed. See Section 6.4 of the Compliance Plans
53	Verify that joint purchases are priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of the purchases in accordance with Commission allocation and reporting rules.	Not applicable to either TBC or HWT
54	Demonstrate that the Company shall price, report, and conduct corporate support services joint utilization in accordance with the Separation and Information Standards, as well as other applicable Commission pricing and reporting requirements.	see corporate services agreements
55	Verify that the Company does not trade upon, promote, or advertise its affiliation with the affiliate, nor allow the utility name or logo to be used by the affiliate.	confirmed. See Section 6.6 of the Compliance Plans





Trans Bay Cable Affiliate Audit

56	Provide policies showing that the Company does not provide its affiliates any different treatment than any other service provider.	See the Compliance Plans and Corporate Service Agreements
57	Provide policies showing that the Company does not provide affiliates advertising space in utility billing envelopes unless it provides access to all other unaffiliated service providers on the same terms and conditions.	Not applicable to either TBC or HWT
58	Provide policies showing that the Company does not participate in joint advertising or joint marketing with its affiliates, including but not limited to sales, communication with potential customers, trade shows, conferences, etc.	This is not applicable to both. See Section 6.6 in the Compliance Plans
59	Provide policies showing that the Company does not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.	This is not applicable to both. See Compliance Plans
60	Provide information on policy or affirmation that the Company and its affiliates do not jointly employ the same employees unless allowed within the corporate support rules of Decision 97-12-088.	HWT does not have employees. The CPUC exemption decision allows HWT to use affiliate employees. Not applicable for TBC other than shared services per agreements (see Corporate Service Agreements)
61	Verify that specific mechanisms and procedures are in place to ensure that shared officers and directors are not used as a conduit to circumvent any of the rules of Decision 97-12-088.	Confirmed. (See Compliance Plans and Training uploaded)
62	Provide any reports or tracking the Company provided to the Commission regarding employee movement between the utility and affiliates.	HWT - not applicable; does not have employees TBC - there have been no movements of employees
63	Demonstrate that Company employees who become employees of the affiliate did not return to the utility for a period of one year.	HWT - not applicable; does not have employees TBC - there have been no movements of employees



64	Identify any cases where the Company received a one-time payment for employees transferred, assigned, or otherwise employed by the affiliate in the amount of 25% of the employee's base annual compensation.	Not applicable to either TBC or HWT
65	Provide details regarding transfer fees on an annual basis in a separate memorandum tracking accounts for future ratemaking treatment.	Not applicable to either TBC or HWT
66	Provide policy that states "Company employees hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these rules."	See Section 6.7.2 of the Compliance Plans
67	Show policy that states the Company shall not make temporary or intermittent assignments or rotations to its affiliates.	See Section 6.7.2 of the Compliance Plans
68	Provide policy or details showing that transfers of goods and services between the Company and its affiliates are subject to the following pricing provisions:- Transfers from the Company to its affiliates of goods and services produced, purchased, or developed for sale on the open market will be priced at fair market value;- Transfers from an affiliate to the Company of goods and services produced, purchased, or developed for sale on the open market will be priced at no more than fair market value;- Goods and services regulated by a state or federal agency will be deemed fair market value;- Goods and services produced, purchased or developed for sale on the open market by the Company will be provided to its affiliates and unaffiliated companies on a discriminatory basis;- Transfers from the Company to its affiliates of goods and services not produced, purchased, or developed for sale will be priced at fully loaded cost plus 5% of direct labor cost;- Transfers from affiliates to the Company of goods and services not produced, purchased, or developed for sale will be priced at the lower of fully loaded cost or fair market value.	Not applicable; See Corporate Services Agreements



Trans Bay Cable Affiliate Audit

69	Ensure that corporate separation has occurred by reviewing filings for incorporation on a sample basis. Obtain financial statements for the Company and other Rule II B affiliates.	We can confirm that all entities are formed separately (See HWT and TBC certificates of formation) HWT and TBC have independently audited financials and file FERC Form 3Q's and Form 1s. We cannot provide financials for all other Rule II.B. affiliates.
70	Provide details on security procedures associated with computer systems to ensure confidentiality between the Company and its affiliates.	HWT has an exception approved in the CCN decision which has been uploaded to SharePoint; TBC maintains separate computer systems. We work with IT to ensure security separation and there is an access approval process.
71	Provide details on procedures associated with joint purchases by the Company and affiliates for compliance with Commission allocation reporting rules.	See Corporate Services agreements
72	Provide a list of joint purchases made between the Company and its affiliates. On a sample basis, evaluate such purchases to determine compliance with applicable Commission rules.	Not applicable to either TBC or HWT
73	Provide a copy of the Master Services Agreements, in place, between the Company and each affiliate for corporate support service joint utilization.	See Corporate Services agreements
74	Summarize and quantify areas of joint corporate support utilization between the Company and affiliates.	See Corporate Services agreements and Commission Decisions
75	Provide policy or procedures that require specified disclosures by the Company and affiliates associated with the utility's advertising or logo.	Not applicable to either TBC or HWT; See Section 6.6 of the Compliance Plans
76	Provide a summary and/or outline of employee training procedures and programs associated with identifying the treatment of affiliates by utility personnel, including utility billing envelopes and joint advertising and marketing.	Incorporated into the training as described in responses to questions 17, 18 and 19



Trans Bay Cable Affiliate Audit

77	Provide a schedule of names of employees who transferred between the Company and affiliates. Provide details on exit interviews and administration such as collection of swipe cards, ID badges, password revocation etc.	HWT - not applicable; does not have employees TBC - there have been no movements of employees
78	Describe procedures and training mechanisms, in place, to avoid circumvention of Rules by officers and directors shared between the Company and their affiliates.	See Section 5.2 of Compliance Plans; incorporated into training as described in questions 17, 18 and 19
79	Provide the Company's annual Affiliate Transactions Report with all exhibits and appendices.	Neither Company has filed an annual Affiliate Transaction report; HWT has a waiver and will provide information on affiliates we interact with on FERC form 1; both companies will be filing this year in May
80	Provide exit interviews of employees who transferred from the Company to affiliates.	HWT - not applicable; does not have employees TBC - there have been no movements of employees
81	Evaluate procedures that provide for physical separation between the Company and its affiliates.	HWT - has exemption (see CCN decision) TBC - has its own facilities and does not share with any affiliates
82	Obtain a schedule of goods and services transferred between the Company and affiliates, permitting Vantage, on a sample basis, to evaluate compliance with applicable pricing provisions: - Select affiliates from the schedule to obtain greater than 50% coverage of transfer activity and test invoices as appropriate (Note amounts of labor versus non-labor dollar activity and test according to those volumes); - Review and recalculate labor loadings as necessary to verify that the percentages detailed in the compliance plans were included in the loadings throughout the year; - Select time records of employees who performed work for an affiliate during 2020.	HWT and TBC do not transfer any goods or services to affiliates. Only services are shared per Corporate Service Agreements.  Employees typically do not provide services to an affiliate. Lenneal Gardner provided a few hours in December 2020 to assist with HWT TRBAA initial filing and the time was billed to HWT per the HR system for time recording.
83	Review procedures for transfer and billing involving all goods and services.	Neither HWT nor TBC transfer goods or services; Services are only provided and billed per Corporate Services Agreement



84	Provide customer information logs and files that record requests for customer specific data.	Not applicable to either TBC or HWT
85	Provide access to information logs in order to verify that information is complete and maintained in a consistent manner in customer information logs and files. Information should include account, customer of record, date of request, date sent and information sent or similar fields.	Not applicable to either TBC or HWT
86	Provide details of training related to the customer information request process. Details should show that appropriate personnel have been trained to ensure consistent and accurate recording of information.	Not applicable to either TBC or HWT
87	Provide details on procedures and training related to non-customer specific, non-public information that is provided to its affiliates to other parties by electronic bulletin board information. Provide access to or descriptions of Intranet and Internet sites, as appropriate to facilitate review.	Not applicable. Neither HWT nor TBC do not use electronic bulletin boards except the websites; not information is provided to affiliates.
88	Verify that all necessary employees have access to the Intranet site necessary to review procedures regarding the compilation and dissemination lists of service providers.	Not applicable to either TBC or HWT
89	Provide details or procedures that verify all affiliate requests for supplier information are maintained within the Procurement Department with appropriate information and supplier authorization	HWT & TBC utilize the NEE corporate ISC group. We are not aware of any affiliate requests for supplier information but if there are, it would be handled by the NEE corporate ISC group.
90	Provide public information documents that were used to respond to customer requests for advice or assistance. Provide timelines of request and response dates.	Not applicable to either TBC or HWT
91	Provide a list of tariff and non-tariffed transactions records and verify that they are maintained for a minimum of three years and are available for review within 72 hours.	Not applicable to either TBC or HWT
92	Provide a list of all bids that fall within Rule IV.G.	Not applicable to either TBC or HWT



93	Provide details on retention to ensure that the contracts and related bid records are maintained for a minimum of three years.	There are not any bids, so we do not have bid records; contracts are maintained per Section 5.6 of Compliance Plan
94	Provide a copy of the centralized log of affiliate contracts.	We maintain a list of affiliate agreements; list has been uploaded to SharePoint
95	Select samples from centralized log to determine if the log accurately represents the contracts with affiliates.	All Corporate Service Support Agreements have been uploaded to SharePoint
96	Provide a schedule of non-customer information supplied to affiliates. Verify that the information was contemporaneously posted.	Not applicable to either TBC or HWT
<b>Task 4 - Regulatory Oversight</b>		
97	Provide a sample of copies of corporate separation filings for incorporation.	Formation documents for both HWT and TBC have been uploaded to SharePoint
98	Provide financial statements for 2020 for the Company and other Rule II B affiliates.	We do not have financial statements available for 2020. We have provided copies of the FERC Form 3Qs in SharePoint. We cannot provide financial statements for Rule II.B Affiliates.
99	Provide details or a description of security procedures associated with computer systems to ensure confidentiality between the Company and its affiliates.	see response to question 70
100	Provide any procedures associated with joint purchases by the Company and affiliates for compliance with Commission allocation reporting rules. <ul style="list-style-type: none"> <li>• Provide a list of joint purchases made between the Company and its affiliates in order that Vantage can select a sample for evaluation.</li> <li>• Provide any procedures that require specified disclosures by the Company and affiliates associated with the utility's advertising or logo.</li> </ul>	Not applicable; See Compliance Plans
101	Provide employee training procedures and program descriptions associated with identifying the treatment of affiliates by utility personnel, including utility billing envelopes and joint advertising and marketing.	See responses to questions 17, 18 and 19



102	Provide employee training procedures associated with research and development activities.	Not applicable to either TBC or HWT
103	Provide documentation that confirms exit interviews including a collection of swipe cards, ID badges, password revocation etc.	This is covered under various NEE HR, IT and Security corporate policies. Employees may receive an automated exit interview before they leave the Company. Employees may also request an in person exit interview by contacting Human Resources. When an employee is released from employment Supervisor's take possession of employee's badge and immediately contacts Security Operations to deactivate the badge and forward the badge to Security Operations Center - ID badges and system access are disabled by Corporate Security. IT disables employees' logins to all systems.
104	Provide specific procedures and training mechanisms, in place, to avoid circumvention of Rules by officers and directors shared between the Company and their affiliates.	See Section 5.2 of Compliance Plans; incorporated into training as described in questions 17, 18 and 19
105	Provide or reference procedures for transfer and billing involving all goods and services.	see response to question 83
106	Provide any implementation plans and actions taken to resolve all recommendations made by the Commission or other parties.	Not applicable to either TBC or HWT
<b>Task 5 - Utility Product and Services</b>		
107	Provide details that demonstrate products and services are only offered through the Company affiliates.	Not applicable to either TBC or HWT
108	Provide details on policy showing that the Company does not offer for sale non-tariffed products and services with the following exceptions.	Not Applicable. Services can only be provided through CAISO



109	<p>Provide details in any cases in which the Company offered new non-tariffed products and services and if the Commission has adopted and the utility established:</p> <ul style="list-style-type: none"> <li>- A mechanism or accounting standard for allocating costs to each product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a non-tariffed basis;</li> <li>- A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism;</li> <li>- Periodic reporting requirements regarding pertinent information related to non-tariffed products and services;</li> <li>- Periodic auditing of the costs allocated to and the revenues derived from non-tariffed products and services.</li> </ul>	Not applicable to either TBC or HWT
110	Provide copies of any advice letters submitted prior to offering a new category of non-tariffed products or services.	Not applicable to either TBC or HWT
111	Provide a list and description of non-tariffed products and services provided to utility affiliates with documentation that it is in compliance with the provisions of the Affiliate Rules.	Not applicable to either TBC or HWT
112	Provide copies of periodic reports to the Commission’s Energy Division, filed twice annually, when offering non-tariffed products and services.	Not applicable to either TBC or HWT
113	Provide copies of all Advice Letters and reports which summarize tariffed and non-tariffed information describing the list of products and services provided by the Company and affiliates including appropriate resolution, docket or order.	Not applicable to either TBC or HWT
114	Provide details on any cost allocation methodologies developed to prevent cross-subsidization of tariffed and non-tariffed products and services.	Not applicable to either TBC or HWT
115	Provide details on mechanisms developed for treatment of benefits and revenues for non-tariffed products and services.	Not applicable to either TBC or HWT





116	Provide details on reports developed regarding tariffed and non-tariffed products and services.	Not applicable to either TBC or HWT
117	Provide details on audits developed regarding tariffed and non-tariffed products and services.	Not applicable to either TBC or HWT
118	Provide details related to compliance with any Advice Letters filed to offer new categories of non-tariffed products or services.	Not applicable to either TBC or HWT
119	Provide a summary of property transfers which have occurred related to Public Utilities Code Section 851.	Not applicable to either HWT or TBC - there have been no property transfers
120	Provide any reports filed regarding non-tariffed products and services offered by The Company related to compliance requirements.	Not applicable to either TBC or HWT
<b>Task 6 - Section 8 Compliant Procedures and Remedies</b>		
121	Provide details related to a clear understanding of exactly which rules the Company must develop a compliance standard for.	Please see Section 1.2 of the Compliance Plans
122	Reference all well written descriptions of how it will comply with the portions of this rule they need to be prepared for.	See Compliance Plans
123	For section of Rule VIII, provide any available documentation the Company has that demonstrates it has a detailed plan.	Neither HWT or TBC provide non-tariffed products or services. Rule VIII is not applicable.
124	Provide detailed recommendations on how to improve the compliance elements associated with either new or current portions to which the Company must respond.	Current plans are sufficient to satisfy the compliance for the scope of our business.



## APPENDIX B – DEFINITIONS

- a. Affiliate – Any person, corporation, utility, partnership, company, or other entity of which five percent or more of its outstanding securities is owned, controlled, or held with power to vote, directly or indirectly, either by TBC or any of its subsidiaries, or by TBC’s controlling corporation and/or any of its subsidiaries, as well as any company in which TBC, its controlling corporation, or any of TBC’s affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership.

For purposes of these Rules, “substantial control” includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity’s company creates a rebuttable presumption of control.

For purposes of these Rules, “affiliate” shall include the utility’s parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II.B.

- b. CAISO – The California Independent System Operator Corporation.
- c. Commission – The California Public Utilities Commission or its succeeding state regulatory body.
- d. Compliance and Responsibility Organization (“CRO”) – The group in NextEra headed by the Vice President of Compliance & Corporate Secretary who, for purposes of this Compliance Plan, is the Chief Compliance Officer (“CCO”) responsible for providing guidance on compliance and monitoring compliance with the Rules.
- e. Confidential or non-public information – Any TBC information not intended for public disclosure and considered to be confidential or proprietary by persons privy to such information.
- f. Corporate support services – Services shared by TBC and its affiliates for joint corporate oversight, governance, support systems and personnel.
- g. Customer – Any person or corporation, as defined in Sections 204, 205, and 206 of the California Public Utilities Code (“PU Code”), that is the ultimate consumer of goods and services.
- h. Customer information – Non-public information and data specific to a utility customer, which the utility acquired or developed in the course of its provision of



utility services. Trans Bay Cable LLC Affiliate Transaction Rules Compliance Plan  
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- i. Energy marketing affiliate – A TBC affiliate that markets electricity and natural gas in the United States and Canada.
- j. FERC – The Federal Energy Regulatory Commission.
- k. General Counsel – The NextEra General Counsel Business Unit.
- l. HWT – Horizon West Transmission, LLC, a regulated utility affiliate of TBC that is based in San Francisco, California and provides wholesale transmission service within the CAISO region.
- m. Lone Star Transmission – Lone Star Transmission, LLC, a regulated utility affiliate of TBC that is based in Austin, Texas and provides wholesale transmission service within the Electric Reliability Council of Texas (“ERCOT”) region.
- n. NextEra – NextEra Energy, Inc. or its subsidiaries.
- o. NEER – NextEra Energy Resources, LLC, a subsidiary of NextEra that, through its subsidiaries, develops, owns, and operates energy projects that provide wholesale and retail electricity, as well as energy products and services.
- p. NEET – NextEra Energy Transmission, LLC, the direct, upstream parent company of TBC.
- q. PU Code – The California Public Utilities Code.
- r. Rules – The Commission’s Affiliate Transaction Rules, as adopted in D.97-12-088 and modified by D.98-08-035.
- s. Rule II.B. affiliate – An affiliate of TBC that engages in the provision of a product that uses electricity or the provision of services that relate to the use of electricity within California.
- t. Tariff – TBC’s currently effective Transmission Owner Tariff, approved by FERC.
- u. Traditional utility merchant function – To the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission or distribution services, it is engaging in merchant functions. TBC does not engage in a traditional utility merchant function.



## APPENDIX C – LIST OF AFFILIATES -DECEMBER 11, 2020

List of NextEra Energy, Inc. Affiliates Which TBC May Share Resources or Transact

- Bay Area Transmission Holdings
- Florida Power & Light Company
- Horizon West Transmission, LLC
- Lone Star Transmission, LLC
- NextEra Energy Capital Holdings, Inc.
- NextEra Energy, Inc.
- NextEra Energy Project Management, LLC
- NextEra Energy Resources, LLC
- NextEra Energy Transmission, LLC

Rule II.B. Affiliates within California

- Adelanto Solar II, LLC
- Adelanto Solar, LLC
- Altamont Power LLC
- Aries Solar Holding, LLC
- Arlington Energy Center I, LLC
- Arlington Energy Center II, LLC
- Arlington Energy Center III, LLC
- Beltran Solar, LLC
- Blythe Energy Storage II, LLC
- Blythe Energy Storage III, LLC
- Blythe Energy Storage 110, LLC
- Blythe Solar 110, LLC
- Blythe Solar II, LLC
- Blythe Solar III, LLC
- Blythe Solar IV, LLC
- CA BTM Energy Storage, LLC
- CA Energy Storage Holdings, LLC
- CalCity Solar I LLC
- Corby Energy Storage, LLC
- Crow Creek Solar, LLC
- Desert Peak Energy Center, LLC
- Desert Peak Energy Storage I, LLC
- Desert Peak Energy Storage II, LLC
- Desert Peak Energy Storage III, LLC

