

COLORADO SPRINGS UTILITIES

Utilities Administrative Regulation No. 1.26

Subject: **FUNCTIONAL UNBUNDLING STANDARDS OF CONDUCT**

- 1.0 Purpose: The purpose of this Utilities Administrative Regulation is to establish Standards of Conduct sufficient to meet the functional unbundling requirements of the Federal Energy Regulatory Commission as contained in Order Nos. 888, 889 and 2004 as codified at 18 CFR § 358.
- 2.0 Applicable to: These Standards of Conduct apply to all Colorado Springs Utilities (Utilities) employees, but are of particular concern to those employees who possess or seek information relative to electric transmission operations.
- 3.0 Initiating Entity: Chief Executive Officer
- 4.0 Policy Overview:
 - 4.1 Utilities is actively engaged in the purchase and sale of electricity in the wholesale market and at the retail level. Utilities also owns and operates transmission facilities, which are interconnected to the interstate bulk power grid. The Federal Energy Regulatory Commission (FERC) established what are commonly referred to as “functional unbundling” requirements for vertically integrated electric utilities. Under these requirements personnel involved in “transmission system operations must function independent of employees of Marketing and Energy Affiliates.” The intent of this FERC initiative is to ensure that vertically integrated electric utilities do not utilize their transmission systems to advantage their generation. The activities of Utilities in the purchase and sale of electricity at wholesale and retail qualify some of its employees as “employees of Marketing and Energy Affiliates” as these terms are used by the FERC.
 - 4.2 Although Utilities is not jurisdictional to the FERC, it has voluntarily determined that it will comply with the functional unbundling requirements and other FERC reforms dealing with open access to transmission facilities intended to create a more workable wholesale market for power.
 - 4.3 These Standards of Conduct place obligations upon employees, most particularly those employees engaged in transmission system operations and energy sales functions.
- 5.0 Policy: Utilities commits to provide transmission services to third parties on a voluntary and non-discriminatory basis consistent with FERC Order Nos. 888, 889 and 2004. Utilities will not grant preferential treatment to any party including itself and its affiliate when providing transmission services. Further, Utilities will not

advantage its own wholesale transactions or those of its affiliates through the provision or use of information not available to all other transmission customers. Utilities employees shall comply with functional separation, employee transfer, information access, information disclosure, tariff implementation, emergency operation, and compliance training procedures outlined in this Utilities Administrative Regulation.

6.0 Functional Separation:

6.1 Utilities employees engaged in Energy Affiliate or Marketing Affiliate functions shall:

6.1.1 Function independently of Utilities employees engaged in Transmission System Operations/Reliability functions.

6.1.2 Not perform Transmission System Operations/Reliability functions, but may acquire services necessary for reliability upon request from the Transmission System Operations/Reliability function.

6.1.3 Not have access to Utilities system control room that differs from the access available to all other transmission customers.

6.1.4 Acquire all transmission information needed to facilitate wholesale transactions through the OASIS.

6.2 Utilities Energy Affiliate or Marketing Affiliate function employees shall be organizationally and physically separated (card-key access only) from Utilities Transmission Function Employees.

6.3 Utilities system control room, from which the Transmission Function Employees operate, shall be equipped with a limited access security door, disallowing entrance to Utilities Energy Affiliate and Marketing Affiliate employees.

7.0 Employee Transfers:

7.1 Transfers between Utilities employees engaged in either Transmission System Operations/Reliability or Energy and Marketing Affiliate functions shall be posted on the OASIS at least twenty-four (24) hours prior to such transfer, shall remain posted for 90 days, and shall include the following information:

7.1.1 Name of the employee;

7.1.2 Respective titles held while performing each function; and,

7.1.3 Effective date of transfer.

8.0 Information Access:

- 8.1 Utilities employees engaged in the Energy and Marketing Affiliate functions:
 - 8.1.1 Shall only have access to that information available to all other open access transmission customers (i.e., the information posted on the OASIS).
 - 8.1.2 Will not have preferential access to any information about Utilities transmission system that is not available to all users of an OASIS.
 - 8.1.3 Will not obtain information about the Utilities transmission system (including information about available transmission capability, price, curtailments, ancillary services, and the like) through access to information not posted on the OASIS that is not otherwise also available to the general public without restriction, or through information on the OASIS that is not also publicly available to all OASIS users.

9.0 Information Disclosure:

- 9.1 Utilities Transmission Function Employees:
 - 9.1.1 Shall not disclose any information concerning the Utilities transmission system or the transmission system of another (including information received from non-affiliates or information about available transmission capability, price, curtailments, ancillary services, etc.) to Utilities employees and affiliates engaged in Energy and Marketing Affiliate functions:
 - a. Through non-public communication conducted off the OASIS;
 - b. Through access to information not posted on the OASIS; or,
 - c. Through information on the OASIS that is not publicly available to all OASIS users at the same time.
 - 9.1.2 Shall not share any market information acquired from nonaffiliated transmission customers or potential nonaffiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with its own employees or those of its affiliate engaged in Energy and Marketing Affiliate functions, except to the limited extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.
- 9.2 Should an employee disclose information concerning Utilities transmission system that is not posted on the OASIS and which violates these Standards of Conduct, Utilities shall immediately post such information on the OASIS.

10.0 Tariff Implementation:

- 10.1 Utilities Transmission Function Employees shall strictly enforce all tariff provisions related to open access transmission services without discriminating against third parties or in favor of Utilities or its affiliates.
- 10.2 For matters requiring discretion, Utilities Transmission Function Employees shall apply all open access transmission service tariffs in a fair and impartial manner that treats itself, its affiliate and third-party customers equally.
- 10.3 Utilities Transmission Function Employees shall maintain a detailed log of each circumstance in which Utilities exercised its discretion under any term or condition of the tariff (which may include but is not limited to price, curtailment, scheduling, priority, ancillary services, etc.) and will post this log on the OASIS.
- 10.4 Utilities employees engaged in Energy and Marketing Affiliate functions shall comply with the terms of the tariff when obtaining transmission services necessary to facilitate wholesale transactions.
- 10.5 Through its tariff or otherwise, Utilities Transmission Function Employees shall not favor wholesale transactions made on behalf of its own power customers or its affiliate over any other wholesale customers in matters which pertain to the purchase or sale of transmission services.

11.0 Emergency Operations:

- 11.1 Under emergency operating conditions which affect system reliability, Utilities employees shall take whatever steps are deemed necessary to keep Utilities power system in operation and satisfy Utilities obligation to the Western Interconnection consistent with NERC and Western Electricity Coordinating Council policies.
- 11.2 Any actions taken in the event of an emergency which cause Utilities to deviate from these Standards of Conduct shall be reported to the Federal Energy Regulatory Commission and will be posted on the OASIS within twenty-four (24) hours of such deviation.

12.0 Compliance Training:

- 12.1 Utilities shall provide training with respect to these Standards of Conduct for all Transmission Function Employees, Energy and Marketing Function employees, and officers.
- 12.2 Training will also be provided, as necessary, to Utilities employees who provide services to both of these functions to ensure that no prohibited information transfer takes place inadvertently.

- 12.3 Utilities shall provide this training as required and will assign responsibility for developing and updating training materials and for coordinating training to the appropriate Utilities department(s). The General Counsel's Division will have management responsibility to ensure that the training program meets the requirements of these Standards of Conduct.
- 12.4 Utilities shall inform all employees of the existence of these Standards of Conduct. Any employee who believes that he or she will be subject to their provisions should contact his/her supervisor to obtain a copy of these Standards of Conduct and to obtain any appropriate training. Supervisors and managers will have the ultimate responsibility to ensure that their employees who need training in the Standards of Conduct shall receive it.
- 12.5 Utilities employees who complete the training program must execute a Statement of Acknowledgement in the form attached here as Exhibit A and forward to the Compliance Officer.
- 13.0 Compliance Officer: The Compliance Officer will be Joseph B. Wilson, Senior Regulatory Counsel in the General Counsel's Division. Mr. Wilson can be reached at (719) 668-8032 or by email at jbwilson@csu.org.

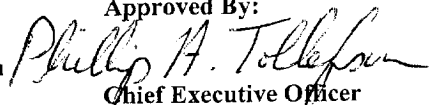
Revision No. : 3	Effective Date: 09/22/2004	Prepared By: Utilities General Counsel Division	Approved By:  Chief Executive Officer
----------------------------	--------------------------------------	--	--

Exhibit A

**Statement of Acknowledgement
for Colorado Springs Utilities Employees
Engaged in Wholesale Merchant or
Transmission/Reliability Functions**

I hereby acknowledge that my job responsibilities with Colorado Springs Utilities include either wholesale merchant activities or transmission/reliability functions. In addition to attending a training program on the standards of conduct, I have read and understand Utilities Administrative Regulation No. 1.26, entitled Functional Unbundling Standards of Conduct.

I agree to be bound by Utilities Administrative Regulation No. 1.26 and will perform my job responsibilities in order to maintain functional separation of the wholesale merchant and reliability responsibilities. I understand that a violation of Utilities Administrative Regulation No. 1.26 may result in disciplinary proceedings.

Employee Signature: _____

Employee ID Number : _____

Job Title: _____

Date: _____