

LES Standards of Conduct Implementation and Compliance Procedures



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Lincoln Electric System

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LINCOLN ELECTRIC SYSTEM

STANDARDS OF CONDUCT

(ORDER NO. 717)

IMPLEMENTATION AND COMPLIANCE PROCEDURES

I. OVERVIEW

The Lincoln Electric System (LES) is a municipal electric utility owning and operating generation, transmission and distribution facilities. LES serves retail customers in the City of Lincoln, Nebraska and the surrounding environs.

LES owns and operates certain electric transmission facilities, which it has placed under the functional control of the Southwest Power Pool (SPP), a Regional Transmission Organization (RTO) approved by the Federal Energy Regulatory Commission (FERC or Commission). Transmission service requested on LES facilities will be processed by SPP on the SPP Open Access Same-Time Information System (OASIS) under the SPP Open Access Transmission Tariff.

In FERC Docket No. OA04-1-000, LES applied for and was granted a waiver of certain sections of the Standards of Conduct regulations promulgated by FERC in Order No. 2004. Specifically, FERC granted LES a partial exemption from the Standards of Conduct and waived the independent functioning requirements then codified at 18 C.F.R. §§ 358.2(a) and 358.4(a). In addition to the foregoing, the Commission granted LES a waiver of the information sharing restrictions originally codified at 18 C.F.R. §§ 358.5(a)(1) and (2) and 358.5(b)(1), (2) and (3) to the extent that such a waiver was necessary. Following Order No. 717, the waived provisions are now codified at 18 C.F.R. §§ 358.2(b) and 358.5, 358.2(a) and (d), and 358.7(a).

LES implemented the remaining Standards of Conduct regulations for which it did not have a waiver.

As of March 1, 2017, LES has elected to voluntarily relinquish the partial waiver of the independent functioning and information sharing provisions of the Standards of Conduct granted by FERC in Docket No. OA04-1-000. The LES Standards of Conduct Implementation and Compliance Procedures contained herein set forth the process LES has undertaken to implement the remaining Standards of Conduct and be fully compliant with the FERC Standards of Conduct.

II. STANDARDS OF CONDUCT GENERAL PRINCIPLES (18 C.F.R. § 358.2)

Although SPP functionally operates LES' transmission facilities and provides service under the SPP Open Access Transmission Tariff, LES remains a Transmission Provider (TP) for Standards of Conduct regulations purposes, pursuant to 18 C.F.R. § 358.3(k), by virtue of LES' continued ownership of the facilities. As stated on the LES node of the SPP OASIS, "Transmission Service requested on LES facilities after April 1, 2009 will be processed on the SPP OASIS under the SPP Open Access Transmission Tariff."

LES will treat all Transmission Customers, affiliated and non-affiliated, on a not unduly discriminatory basis and will not make or grant any undue preference or advantage to any person. LES will not subject any person to any undue prejudice or disadvantage with respect to any transportation of electric energy in interstate commerce, or with respect to the wholesale sale of electric energy in interstate commerce.

LES provides that employees responsible for transmission functions at LES will operate independently of the employees at LES engaged in marketing functions. The purpose of this separation of functions is to ensure that all of LES' Transmission Customers receive non-discriminatory service and that Marketing Function Employees of LES do not have preferential access to any information about LES' transmission system that is not available to other users of the system.

As a Transmission Provider, LES and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, Non-Public Transmission Function Information to Marketing Function Employees.

As a Transmission Provider, LES will provide equal access to Non-Public Transmission Function Information disclosed to Marketing Function Employees to all of its Transmission Customers, affiliated and non-affiliated, except Critical Energy Infrastructure Information (CEII) or confidential customer information.

III. DEFINITIONS (18 C.F.R. § 358.3)

Unless otherwise defined, the terms used in the LES Standards of Conduct Implementation and Compliance Procedures shall have the same meaning as set forth in the Commission's Standards of Conduct rules codified at 18 C.F.R. § 358.3 found [here](#).

Marketing Function Employee – Employees, contractors, consultants or agents of LES who actively and personally engage on a day-to-day basis in LES' power marketing activities. Qualifying employees include all employees in System Energy Management (SEM), including Real-Time Operations, Day-Ahead Operations, Settlements, and the Supervisor, Energy Management. The Manager, Energy & Environmental Operations and the Specialist, RTO/FERC Regulatory are also qualifying employees.

Transmission Function Employee – Employees, contractors, consultants, or agents of LES who actively and personally engage on a day-to-day basis in Transmission Functions. Qualifying

employees include the Manager of System Operations, the Senior Engineer of System Operations and Compliance and all employees in System Control. Additionally, those employees outside of System Operations that provide operational engineering support also qualify. This includes a Senior Engineer in the Resource & Transmission Planning Department, the Supervisor of the Substation Construction and Maintenance Department, an Engineer III in the Substation Engineering Department and a Senior Engineer and Engineer II in the Communications Department. Employees, contractors, consultants or agents of LES who plan, design, construct or switch transmission facilities are not classified as Transmission Function Employees as they are not involved in the day-to-day operations of the transmission system. Per the Commission, field maintenance and construction workers, as well as engineers and clerical workers, are not normally involved in the day-to-day operations of the transmission system, and therefore, would not fall within scope unless, in addition to functioning in their stated capacity, they also engage in the day-to-day operation of the transmission system.

Transmission Function Information – Information related to transmission functions, specifically information regarding the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests. While the term “real time” is not used in the Standards of Conduct rules, FERC clarified in Order 717 that the definition of Transmission Function was directed at short-term, real time operations, including those decisions made in advance of real time, but directed at real time operations.

Provided all guidance offered by FERC, LES identifies the following as Transmission Function Information: information related to transmission outages, planned or unplanned, real time power flows and voltages, system maintenance activity, system upgrades, new construction, system expansion, information from state estimation and real-time contingency analysis, and operating guides.

LES does not classify one-line diagrams, static transmission maps, long range planning activities, or data included in a power system simulator as Transmission Function Information because they do not contain day-to-day transmission operation information.

Non-Public Transmission Function Information – Transmission Function Information that has not already been made public through Open Access Same-Time Information System (OASIS) postings, LES public Internet website postings, public forums, and/or any other public postings. Transmission Function Information does not transition from non-public information to public information solely based on a set amount of time passing as FERC made clear in Order 717-A. In this Order, FERC explicitly declined to create a general rule regarding the staleness of Non-Public Transmission Function Information; therefore, Non-Public Transmission Function Information, regardless of age, should not be shared with Marketing Function Employees.

Critical Energy Infrastructure Information (CEII) - Information regarding specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure (physical or virtual) that:

1. Relates details about the production, generation, transmission, or distribution of energy;
2. Could be useful to a person planning an attack on critical infrastructure;
3. Is exempt from mandatory disclosure under the Freedom of Information Act; and
4. Gives strategic information beyond the location of the critical infrastructure.

IV. NON-DISCRIMINATION (18 C.F.R. § 358.4)

As noted above, LES has placed certain transmission facilities under the functional control of SPP, and SPP provides transmission service with respect to those facilities pursuant to its tariff.

To the extent that LES continues to administer and implement its Open Access Transmission Tariff (OATT), LES employees will:

- Strictly enforce all tariff provisions that do not permit the use of discretion;
- Apply all tariff provisions that do permit the use of discretion in a fair and impartial manner that treats all customers in a non-discriminatory manner; and
- Not give preference to any person, through the application of tariff provisions or otherwise.

V. INDEPENDENT FUNCTIONING (18 C.F.R. § 358.5)

LES provides that personnel responsible for transmission functions will operate independently of personnel at LES engaged in marketing functions. The purpose of the separation of functions is to ensure that all of LES' Transmission Customers receive non-discriminatory service and that LES' Marketing Function Employees do not have preferential access to any operational information about LES' transmission system that is not available to other users of the system.

A. Commitment to Comply with the Standards of Conduct (18 C.F.R. § 358.5(a))

This document describes the steps LES has undertaken in order to achieve the functional separation of Transmission Function Employees from Marketing Function Employees in compliance with the FERC Standards of Conduct.

LES has utilized physical and organizational measures to ensure functional independence between the Transmission Function Employees and the Marketing Function Employees. LES prohibits its Marketing Function Employees from conducting transmission functions and its Transmission Function Employees from conducting marketing functions.

B. Physical Separation (18 C.F.R. § 358.5(b)(1)(ii))

LES' wholesale and energy marketing functions are performed by a LES business unit titled System Energy Management (SEM). SEM employees do not have access to, and are prohibited from having access to, the System Control control room or to similar facilities used for transmission operations that differ in any way from the access available to other open access Transmission Customers. The System Control control room is a highly restricted area which can only be accessed by use of a coded access card and a unique PIN code.

C. Organizational Separation (18 C.F.R. § 358.5(b)(2))

LES' organizational structure assures that its Marketing Function Employees operate independently from its Transmission Function Employees. The Manager of the Energy & Environmental Operations Department is responsible for oversight of the Marketing Function Employees and reports directly to the Vice President of the Power Supply Division. The Manager of the Energy & Environmental Operations Department has no transmission function responsibilities and receives no Non-Public Transmission Function Information from any employees engaged in transmission functions. The Manager of the System Operations Department has direct oversight over LES' transmission functions and Transmission Function Employees in System Control and reports directly to the Vice President of the Energy Delivery Division. The Manager of the System Operations Department has no marketing function responsibilities. The System Operations Department receives engineering support from an engineer in the Resource and Transmission Planning Department and an engineer in the Projects Engineering Department. The managers of both of these departments report directly to the Vice President of the Power Supply Division; however, strict organizational separation still exists between these engineers, classified as Transmission Function Employees, and the Marketing Function Employees. Both of these engineers, as well as their managers, have no marketing function responsibilities.

VI. NO CONDUIT RULE (18 C.F.R. § 358.6)

LES is prohibited from using anyone as a conduit for the disclosure of Non-Public Transmission Function Information to its Marketing Function Employees.

An employee, contractor, consultant or agent of LES and an employee, contractor, consultant or agent of an affiliate of LES that is engaged in marketing functions is prohibited from disclosing Non-Public Transmission Function Information to any of LES' Marketing Function Employees.

VII. TRANSPARENCY RULE (18 C.F.R. § 358.7)

A. Contemporaneous Disclosure (18 C.F.R. § 358.7(a))

If LES discloses Non-Public Transmission Function Information, other than information identified in the paragraph below, in a manner contrary to the requirements of §358.6, LES shall immediately post the information that was disclosed on its Internet website.

If LES discloses, in a manner contrary to the requirements of §358.6, non-public Transmission Customer information, CEII, or any other information that FERC by law has determined is to be subject to limited dissemination, LES shall immediately post notice on its Internet website that the information was disclosed, but shall not post the actual information disclosed.

B. Exclusion for Specific Transaction Information (18 C.F.R. § 358.7(b))

LES' Transmission Function Employees may discuss with its Marketing Function Employees a specific request for transmission service submitted by the Marketing Function Employee. LES is not required to contemporaneously disclose this occurrence if the information disclosed relates solely to the specific transmission service request.

C. Voluntary Consent Provision (18 C.F.R. § 358.7(c))

LES has placed certain transmission facilities under the functional control of SPP, and requests for transmission service using those facilities will be processed by SPP on the SPP OASIS under the SPP OATT. Nonetheless, to the extent applicable, a Transmission Customer may voluntarily consent, in writing, to allow LES to disclose the Transmission Customer's non-public information to LES' Marketing Function Employees. If the Transmission Customer authorizes LES to disclose its information to Marketing Function Employees, LES shall post notice on its Internet website of that consent, along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for the voluntary consent.

D. Posting Written Procedures on the Internet Website (18 C.F.R. § 358.7(d))

LES has posted these Standards of Conduct Implementation and Compliance Procedures on its Internet website in compliance with the Commission's Standards of Conduct rules.

E. Identification of Affiliate Information on the Internet Website (18 C.F.R. § 358.7(e))

LES has no affiliates that are organized as separately incorporated affiliates or units of the Lincoln Electric System. LES' wholesale and energy marketing functions are performed by an LES business unit titled System Energy Management (SEM). SEM is part of LES' Power Supply Division. However, while SEM is not separately incorporated, it is "a division ... that operates as a functional unit" and is thus an affiliate for purposes of 18 C.F.R. § 358.3(a)(1).

The name and address of the LES wholesale marketing and energy sales unit is:

System Energy Management
Lincoln Electric System
P.O. 80869
Lincoln, Nebraska 68501

LES maintains two facilities staffed with both Marketing Function Employees and Transmission Function Employees, the primary control center, Lincoln Electric System, P.O. Box 80869, Lincoln, Nebraska 68501 and the back-up control center, Lincoln Electric System, P.O. Box 80869, Lincoln, Nebraska 68501.

Both facilities are "shared" facilities (*i.e.*, facilities accessible to both Transmission Function Employees and Marketing Function Employees). However, upon voluntary relinquishment of the LES Partial Waiver of the Standards of Conduct, both facilities are fully compliant with the Independent Functioning rule (18 C.F.R. § 358.5(b)(1)(ii)). The

LES Marketing Function Employees are prohibited from accessing the System Control areas in either facility where transmission functions are conducted. Correspondingly, LES prohibits its Marketing Function Employees from conducting transmission functions and its Transmission Function Employees from conducting marketing functions.

LES will post information concerning any potential merger partners as affiliates within seven days after any potential merger is announced.

F. Identification of Employee Information on the Internet Website (18 C.F.R. § 358.7(f))

LES has posted on its Internet website the job titles and job descriptions of its Transmission Function Employees. LES will update the job title and job description information within seven days of any change and will post the date on which the information was updated.

LES will post on its Internet website a notice of any transfer of a Transmission Function Employee to a position as a Marketing Function Employee, or any transfer of a Marketing Function Employee to a position as a Transmission Function Employee. The information will remain on the LES website for 90 days. No such job transfer may be used as a means to circumvent any provision of this part.

The information to be posted must include:

1. The name of the transferring employee;
2. The respective titles held while performing each function as a Transmission Function Employee and as a Marketing Function Employee; and
3. The effective date of the transfer.

G. Timing and General Requirements of Posting on the Internet Website (18 C.F.R. § 358.7(g))

LES will update, on its Internet website, the information required by these Standards within seven business days of any change, and post the date on which the information was updated.

In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts LES' normal business operations, the posting requirements in this part may be suspended by LES. If the disruption lasts longer than one month, LES shall notify FERC and may seek further exemptions from the posting requirements.

All Internet website postings required by this part will be sufficiently prominent as to be readily accessible.

H. Exclusion for and Recordation of Certain Information Exchanges (18 C.F.R. § 358.7(h))

Notwithstanding the requirements of 18 C.F.R. §§ 358.5(a) and 358.6, LES' Transmission Function Employees and Marketing Function Employees may exchange certain Non-Public Transmission Function Information. Those circumstances may include either information pertaining to compliance with North American Electric Reliability Corporation (NERC) Reliability Standards approved by FERC, or information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

If information is exchanged in a manner as stated above, LES shall make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record will be made as soon as practicable after the fact. The record will be retained by LES for a period of five years.

I. Posting of Waivers (18 C.F.R. § 358.7(i))

18 C.F.R. § 358.7(i) requires transmission providers to post on their Internet websites a notice of each waiver of a tariff provision granted in favor of an affiliate, unless such waiver has been approved by the Commission. LES has no affiliates that are organized as separately incorporated affiliates or units of the Lincoln Electric System. LES will post, within one business day of each occurrence, a notice of each waiver of any LES OATT provision that it grants in favor of its marketing function, unless such waiver has been approved by the Commission. LES will post the information on its Internet website. LES will maintain a log of such waivers, will make the log available to the Commission upon request, and will retain records for a period of five years from the date of each act of waiver.

VIII. IMPLEMENTATION REQUIREMENTS (18 C.F.R. § 358.8)

A. Effective Date (18 C.F.R. § 358.8(a))

The LES Standards of Conduct Implementation and Compliance Procedures are effective as of the policy approval date by LES, March 1, 2017, and will continue in effect until amended or withdrawn.

B. Compliance Measures and Written Procedures (18 C.F.R. § 358.8(b)(1)(2))

LES will implement measures to ensure that the requirements of the Independent Functioning (18 C.F.R. § 358.5) and No Conduit Rules (18 C.F.R. § 358.6) are observed by its employees and its affiliates, if any. LES will distribute the written procedures required to be posted on the LES Internet website, as stated in the "Posting Written Procedures on the Internet Website" section of the Transparency Rule, to all Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.

C. Training and Compliance Personnel (18 C.F.R. § 358.8(c)(1)(2))

LES has trained and will provide additional training annually to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information. LES will train any new employees in those roles within 30 days after hiring. Employees will certify electronically or in writing that they have completed the training.

The LES Chief Compliance Officer shall be responsible for ensuring LES' compliance with these Standards of Conduct and procedures for implementing the Standards of Conduct. LES' Chief Compliance Officer is: Eric Ruskamp, Manager, Regulatory Compliance, P.O. Box 80869, Lincoln, Nebraska, 68501, 402-473-3387, email address: eruskamp@les.com. The name and contact information of the LES Chief Compliance Officer is available on the LES Internet Website.

D. Books and Records (18 C.F.R. § 358.8(d))

LES shall maintain its books of account and records (as prescribed under 18 C.F.R. Parts 101, 125, 201 and 225) and make the books of account and records available for Commission inspection upon Commission request. LES has no affiliates that are organized as separately incorporated affiliates or units of the Lincoln Electric System.