

**PROCEDURES FOR IMPLEMENTATION
of
FERC STANDARDS OF CONDUCT
for
OHIO VALLEY ELECTRIC CORPORATION
AND INDIANA-KENTUCKY ELECTRIC CORPORATION**

In accordance with Rule 358.7(d) of the Federal Energy Regulatory Commission (“FERC”), Ohio Valley Electric Corporation, on behalf of itself and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation (collectively, “OVEC”), has adopted the following procedures to comply with the Standards of Conduct set forth in Part 358 of FERC’s regulations.

I. Description of OVEC

OVEC owns two coal-fired generating stations: (1) the Kyger Creek Plant in Cheshire, Ohio, which has a generating capacity of 1,075 megawatts, and (2) the Clifty Creek Plant in Madison, Indiana, which has a generating capacity of 1,290 megawatts. OVEC’s two generating stations are connected by a network of 776 circuit miles of 345,000-volt transmission lines in Ohio, Indiana and northern Kentucky. These transmission lines also interconnect with the major power transmission networks of several of the utilities or their affiliates that own OVEC (called OVEC's "Sponsoring Companies").

OVEC is a party to an Inter-Company Power Agreement with its Sponsoring Companies. Under the Inter-Company Power Agreement, the Sponsoring Companies are entitled to all of the net power and energy produced by OVEC's two generating stations, and each Sponsoring Company can reserve a specified percentage of available power and energy.

OVEC also currently sells arranged power to the United States Department of Energy (the “DOE”) for use at the DOE’s Ohio enrichment facility. Under these arrangements, OVEC assists the DOE by soliciting offers for the purchase of energy from third parties selected by the DOE and making occasional spot purchases to meet the power and energy requirements of the DOE's Ohio enrichment facility. OVEC’s sales of arranged power to the DOE are solely retail sales, subject to the jurisdiction of the Public Utilities Commission of Ohio.

OVEC's control room staff includes operations coordinators, who generally are responsible for all control area functions and other transmission and reliability operations. Energy schedulers, who generally are responsible for the scheduling of energy sales pursuant to the Inter-Company Power Agreement and the arranged power agreement with the DOE, are located in a different area and function separately from the control room staff.

II. Defined Terms

An understanding of the Standards of Conduct and these procedures requires a working knowledge of the following key terms:

- 1) “Transmission Function Employee” means an employee, contractor, consultant or agent of OVEC that actively and personally engages in planning, directing, organizing or carrying out day-to-day transmission system operations, including granting or denying transmission service requests.
- 2) “Marketing Function Employee” means an employee, contractor, consultant or agent of OVEC or its affiliate that actively and personally engages on a day-to-day basis in the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights (except for bundled retail sales).

III. Measures and Procedures for Implementation of Standards of Conduct

A. Independent Functioning

1. Transmission and Energy Affiliate Functions

Except as permitted by FERC rules or order, OVEC’s Transmission Function Employees must function independently of its Marketing Function Employees. To ensure separation of these functions, Marketing Function Employees are prohibited from conducting transmission functions or having greater access to a transmission system control center or similar facilities than the access granted to other transmission customers. Transmission Function Employees are prohibited from conducting marketing functions.

Measures:

- a. OVEC’s Transmission Function Employees will continue to be housed at OVEC’s offices in Piketon, Ohio in an area separate and secure from the operations of OVEC’s Marketing Function Employees.
- b. The OVEC Operations Center and similar facilities will be located within locked facilities. Marketing Function Employees will be denied physical access to those portions of OVEC’s Operations Center or similar facilities used for OVEC’s transmission operations.
- c. Marketing Function Employees will not conduct OVEC transmission system operations. These responsibilities will be assigned only to OVEC’s Transmission Function Employees.

2. Emergency Procedures

In emergency circumstances affecting system reliability, OVEC will follow the principles outlined by the North American Electric Reliability Council (NERC) or any successor organization. As used in these procedures, an emergency exists when any abnormal system condition occurs that requires automatic or immediate manual action to prevent or limit loss of transmission facilities or generation supply that could adversely affect the reliability of the electric system. In an emergency, OVEC'S Transmission Function Employees may take whatever steps are necessary to keep the electric system in operation.

Measures:

- a. OVEC will report to FERC in an "EY" docket each emergency that resulted in any deviation from the Standards of Conduct within 24 hours of such deviation.
- b. OVEC will post on its Open Access Same-Time Information System (OASIS) each emergency that resulted in any deviation from the Standards of Conduct within 24 hours of the deviation.

3. Posting

OVEC will post all information required by Part 358 of FERC's regulations on OVEC's OASIS and website.

Measures:

OVEC will post the following:

- a. The names and addresses of all affiliates that retain or employ marketing function employees;
- b. A complete list of the employee-staffed facilities (if any) shared by Transmission Function Employees and Marketing Function Employees;
- c. The job titles and job descriptions of all Transmission Function Employees. Any transfer of a Transmission Function Employee to a position as a Marketing Function Employee, or vice versa, will be posted in accordance with the procedure set forth below.; and
- d. Information on any potential merger partner as affiliates that may employ or retain marketing function employees will be posted within seven business days after the potential merger is publicly announced.

4. Employee Transfers

Any transfer of Transmission Function Employee to a position as a Marketing Function Employee, or vice versa will be made according to standard internal employment practices. Employees transferred in such a manner will maintain the confidentiality of non-public transmission information acquired during their tenure in a previous assignment. Consistent with FERC's regulations, any such transfer will be posted on the OVEC OASIS.

Measures:

- a. OVEC's Human Resources department will notify OVEC's management of any transfers of a Transmission Function Employee to a position as a Marketing Function Employee, or vice versa, on or before the effective date of any transfer.
- b. OVEC will post on the OVEC OASIS the employee transfer, including the name of the transferring employee, the employee's titles in both the organization the employee is transferring from and the organization the employee is transferring to and the effective date of the transfer. Each such transfer will remain posted for a ninety-day period.

B. Information Access and Disclosures

1. Access

Marketing Function Employees may only have access to "Transmission Information" that is made available to customers on the OVEC OASIS or otherwise available to the general public without restriction.

While there is no comprehensive definition of "Transmission Information," it generally includes information about planning, directing, organizing or carrying out day-to-day transmission system operations. Examples include Available Transmission Capacity, price and rate design, curtailments, maintenance activity and outage schedules, transmission flows, transmission equipment status, transmission operating procedures, planned or potential transmission system capital projects (expansions, upgrades, retirements, replacements, etc.) and any information about or from third-party Transmission Customers or developed in the course of responding to requests for transmission, interconnection or ancillary services, except to the extent this information is posted on the OVEC OASIS. Transmission Information also includes similar non-public information about the transmission system of others. It includes before-the-fact information and after-the-fact transaction accounting information.

Transmission Information does not include information related solely to the status of a request for service by a Marketing Function Employee or its affiliates, provided this is the same type of information OVEC would provide non-affiliated customers regarding the status of their requests and in the same manner. It also does not include information necessary to maintain the operations of the

transmission system or related to generation facilities owned by the entities employing such Marketing Function employees or their affiliates. OVEC may share generation information necessary to perform generation dispatch with Marketing Function Employees that does not include specific information about individual third party transmission transactions or potential transmission arrangements.

Consistent with the requirements of FERC Order No. 2003-A, OVEC will not give its Marketing Function Employees any undue preference when participating in scoping meetings or discussions about capacity expansion or new development.

Measures:

a. Computer System Security

- i. OVEC's Transmission Function Employees will not share any computer systems relating to OVEC's transmission system operations with any Marketing Function Employees. In addition, access to OVEC's computer system relating to OVEC's transmission system operations will be controlled by internal company-wide password identification business practices to prevent access by persons who are not Transmission Function Employees to transmission system operations not available on the OVEC OASIS to transmission customers.
- ii. In general, the following business practices will be employed to limit access to data: proper identification of employees entitled to have access to data files, including non-public transmission system information; appropriate distribution of passwords to users; specific process for changing passwords; implementation of a procedure for handling security incidents; and timely disabling of violated passwords or certificates.
- iii. OVEC will maintain written IT security policies for securing IT assets. Policies will address effective password management and the periodic review of computer accounts.

b. Physical Security

- i. Marketing Function Employees are strictly prohibited from having access to secured areas relating to OVEC's transmission system operations.
- ii. Visitors (including vendors and visiting employees) are required to sign in and out on a visitor/employee register and must state the area they are visiting. The visitor/employee register will be retained for three years.

c. Meetings With Energy Affiliates

If Transmission Function Employees and Marketing Function Employees participate in generation interconnection scoping meetings, discussions about capacity expansion or new developments, OVEC will:

- i. Post an advance notice to the public on the OVEC OASIS of its intent to conduct a meeting with a Marketing Function Employee; and
- ii. Keep records of the meeting.

2. Prohibited Disclosures

Employees, contractors, consultants and agents of OVEC may not disclose to Marketing Function Employees any transmission function information through non-public communications conducted off the OVEC OASIS, through access to information not posted on the OVEC OASIS that is not at the same time available to the general public without restriction, or through information on the OASIS that is not at the same time publicly available to all OVEC OASIS users.

Measures:

Telephone communications concerning system reliability concerns that take place in the OVEC Operations Center will be recorded. Recordings will be retained for three years.

3. No Conduit

Employees, contractors, consultants and agents of OVEC may have access to non-public transmission function information, but are strictly prohibited from sharing this information with Marketing Function Employees. In other words, they are prohibited from acting as a conduit to provide information to those who are prohibited from receiving it. This is referred to as the “No-Conduit Rule.”

Measures:

- a. Employees, contractors, consultants and agents of OVEC will comply with the No-Conduit Rule prohibiting them from providing or otherwise making available any non-public transmission function information to Marketing Function Employees.
- b. Employees, contractors, consultants and agents of OVEC with access to non-public transmission function information will be trained to understand what information is considered confidential.

C. Tariff Implementation

1. Non-Discriminatory Access

OVEC provides transmission service on OVEC's transmission system under its OVEC Open Access Transmission Tariff (OATT). OVEC will administer its OATT in strict compliance with its provisions. If the OVEC OATT provides for the use of discretion, OVEC's employees will administer such provisions in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner.

OVEC will not give preference to any Marketing Function Employee or its affiliates over any other wholesale customer in matters related to transmission service.

Measures:

To the extent OVEC administers any part of the OVEC OATT that allows for discretion, OVEC will maintain a written log detailing the circumstances and manner in which it exercised its discretion under the OVEC OATT (except as approved by FERC). The log will be posted on the OVEC OASIS within one business day of the exercise of such discretion, and the log entries will be maintained for five years.

2. Comparable Service

OVEC will not give preference to any Marketing Function Employee or its affiliates over any other wholesale customer in matters related to transmission service.

3. Discounts

OVEC provides transmission service on OVEC's transmission system under the OVEC OATT. OVEC will maintain on its OASIS up-to-the date information on any discounts it may provide for transmission services.

D. Books and Accounts

OVEC will maintain its books of account and records separately from those of its affiliates that employ or retain marketing function employees, and these will be available for FERC's inspection.

Measures:

- a. Physical access to such accounting records will be limited through the use of standard internal security measures.
- b. Electronic records will also be secured using a personal, confidential identification and password system.
- c. Employees will be trained to recognize and know that transmission function information cannot be given to employees of OVEC's affiliates that employ or retain marketing function employees.

E. Compliance Procedures

OVEC will maintain procedures for implementing and complying with the Standards of Conduct. This document constitutes those procedures.

Measures:

- a. OVEC will post its procedures on the OVEC OASIS.
- b. OVEC will distribute its procedures to all of its directors and officers and all of its employees with access to Transmission Information.
- c. OVEC will require all of its Transmission Function Employees, Marketing Function Employees and other employees likely to become privy to transmission function information to complete annual training on the Standards of Conduct. At the end of the training, each employee attending the training will sign a sheet or other document signifying completion of the training requirements. New employees shall receive such training within the first 30 days of their employment.
- d. OVEC has named the following individual as its Chief Compliance Officer (CCO) who will be responsible for Standards of Conduct compliance.

David E. Jones
Vice President-Operations
3932 U.S. Route 23
Piketon, OH 45661

OVEC's CCO for FERC Standards of Conduct will be responsible for implementing and supervising OVEC's compliance with the Standards of Conduct. Specifically, the CCO will be responsible for ensuring that OVEC has developed procedures that comply with FERC's regulations and the implementation of these procedures, including required training. Furthermore, the CCO will also be responsible for on-going compliance, including answering employee questions, providing compliance advice, investigating violations and ensuring employees' participation in the training and the coordination of periodic compliance audits with the FERC staff.

F. Violations of the Standards of Conduct

In the event that an employee suspects a violation of the Standards of Conduct, the employee must promptly report the incident to the Chief Compliance Officer or to the employee's supervisor.

Measures:

- a. All violations will be reported to the Chief Compliance Officer.

- b. If an employee reports a suspected violation to his or her supervisor, the supervisor must promptly report the incident to the Chief Compliance Officer.
- c. Any information that is disclosed in a manner contrary to the Standards of Conduct will be posted immediately on the OVEC OASIS.
- d. Violations of the Standards of Conduct will be subject to OVEC's employee disciplinary practices.
- e. Violation of the Standards of Conduct due to an emergency will be reported as outlined in the Emergency Procedures section of these procedures.

November 26, 2008 (updated)