



**Written Procedures of
Puget Sound Energy
Implementing the Federal Energy Regulatory Commission’s
Standards of Conduct for Transmission Providers**

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Puget Sound Energy (“PSE”) is a public utility that owns, operates, and controls facilities used for the transmission of electric energy in interstate commerce. As such, PSE is subject to the jurisdiction of the Federal Energy Regulatory Commission (“Commission”) and must abide by the Commission’s Standards of Conduct for Transmission Providers as provided for in 18 C.F.R. Part 358.

These written procedures govern the relationship and communications between Transmission Function Employees and Marketing Function Employees (within PSE and with its Affiliates), and also apply to those employees that have knowledge of PSE Transmission Function information. These employees, including senior management and supervisory personnel, are responsible for adhering to these procedures and the Standards of Conduct.

1.0 DEFINITIONS

- 1.1 **Affiliate** means an entity that controls or is controlled by or is under common control (10 percent or more) with PSE (including a division that operates as a functional unit of PSE). PSE Affiliates engaged in Marketing Functions include PSE’s marketing function, Duquesne Power, LLC, Duquesne Light Company, Duquesne Keystone LLC, Duquesne Conemaugh LLC, and Macquarie Cook Power Inc.
- 1.2 **Marketing Function** means 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, all as subject to an exclusion for bundled retail sales, including sales of electric energy made by providers of last resort (POLRs) acting in their POLR capacity.
- 1.3 **Marketing Function Employees** means an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in marketing functions.
- 1.4 **Transmission Function** means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests. These functions are directed at short-term,

real time operations, including decisions made in advance of real time that are directed at real time operations.

- 1.5 **Transmission Function Employee** means an employee, contractor, consultant or agent of PSE who actively and personally engages on a day-to-day basis in Transmission Functions.

2.0 WRITTEN PROCEDURES

- 2.1 **Scope.** These written procedures are designed to ensure compliance with the Standards of Conduct set forth in the Commission's Order No. 717. PSE's Chief Compliance Officer or designee shall ensure that the procedures are updated, as needed. Reading the procedures is not a substitute for annual training required by FERC. In addition, these procedures cannot anticipate every situation and employees should seek guidance from their supervisor or from the Chief Compliance Officer or designee when questions arise.

- 2.2 **Distribution.** These procedures shall be distributed to all Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employee likely to become privy to Transmission Function information ("Covered Positions"). The Chief Compliance Officer or designee shall ensure that the procedures are distributed annually. The Chief Compliance Officer or designee will distribute the procedures to new employees. These procedures will also be posted on the Internet website (OASIS) and PSE's intranet.

- 2.3 **Training at PSE.** The Chief Compliance Officer will identify all Covered Positions at PSE. Employees holding these positions will be trained annually. Training for new employees, or employees who transfer into Covered Positions, will occur within the first 30 days of their employment.

2.3.1 **Implementation.** Training consists of a web-based training package developed by the Edison Electric Institute. This training package is available to all PSE employees via PSE's intranet website. The training consists of seven lessons followed by a quiz on each lesson. The training package contains a database that automatically tracks all employees that successfully complete the training and a certification that the employee completed the training.

2.3.2 **Records.** The Chief Compliance Officer or designee will maintain the records of employee training on the Standards of Conduct. On a weekly basis, a report is made available to the Chief Compliance Officer or designee by Human Resources that lists all employee departures, new hires or transfers for PSE Covered Positions. The Chief Compliance Officer determines which employees require training and instructs the employee to complete the web-based training

package. The Chief Compliance Officer or designee verifies that the training was completed.

- 2.4 **Affiliate training outside of PSE.** Certain Affiliates of PSE may conduct Marketing Functions and have Marketing Function Employees. PSE provides these written procedures to a designated compliance contact at each such Affiliate and requests that these procedures be distributed to all relevant personnel.
- 2.5 **Responsibility for compliance.**
 - 2.5.1 **Chief Compliance Officer.** PSE's Chief Compliance Officer is Tom DeBoer. Mr. DeBoer is responsible for overseeing PSE's implementation of these procedures and enforcing them. The Chief Compliance Officer is also responsible for monitoring compliance and responding to internal employee inquiries. He will also serve as the primary point of contact with FERC Staff during the audit process. Mr. DeBoer can be reached by e-mail at tom.deboer@pse.com.
 - 2.5.2. **Employee responsibility.** All employees holding Covered Positions are responsible for compliance with the Standards of Conduct and these procedures.
 - 2.5.3. **Obligation to report.** Any employee who knows of or suspects noncompliance with these procedures or the Standards of Conduct is required to report such noncompliance immediately.
 - 2.5.4. **Violations of these procedures.** Violations of the Standards of Conduct can have serious consequences for the company. FERC has the ability to impose fines on the company up to \$1 million per day per violation. Therefore, employees who violate the compliance procedures or the Standards of Conduct may be subject to disciplinary action up to and including discharge.

3.0 GENERAL PRINCIPLES OF THE STANDARDS OF CONDUCT

The general principles of the Standards of Conduct are as follows:

- 3.1 **Non-Discrimination Requirements.** PSE shall treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and shall not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transmission of electric energy in interstate commerce, or with respect to the wholesale sale of electric energy in interstate commerce.

- 3.2 **Independent Functioning Rule.** PSE's Transmission Function Employees must function independently from its Marketing Function Employees.
- 3.3 **No-Conduit Rule.** PSE's employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function information to the PSE's Marketing Function Employees.
- 3.4 **Transparency Rule.** PSE shall provide equal access to non-public Transmission Function information to all its transmission customers, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information ("CEII").

4.0 NON-DISCRIMINATION REQUIREMENTS

- 4.1 **General rule.** PSE must treat all transmission customers in a not unduly discriminatory manner, and must not operate its transmission system to give preferential treatment to its Affiliates with Marketing Functions.
- 4.2 **Implementation.** This requirement shall be implemented pursuant to the following standards:
 - 4.2.1 PSE will strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if these tariff provisions do not permit the use of discretion.
 - 4.2.2 PSE will apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner, if the tariff provisions permit the use of discretion.
 - 4.2.3 PSE may not, through its tariff or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including issues of price, curtailment, scheduling, priority, ancillary services, or balancing).
 - 4.2.4 PSE will process all similar requests for transmission service in the same manner and within the same period of time.
- 4.3 **Tariff waivers.** To the extent PSE waives a tariff provision in favor of an affiliate; it must be posted on its Internet website (OASIS).
 - 4.3.1 PSE must also maintain a log of such waivers which must be retained for five years.

4.3.2 An “exercise of discretion” that is allowed in the PSE tariff does not have to be posted or recorded in the waiver log.

5.0 INDEPENDENT FUNCTIONING RULE

5.1.1 **General rule.** Except for limited exceptions, Transmission Function Employees must function independently of the Marketing Function Employees.

5.2 Separation of functions.

5.2.1 **General rule.** PSE’s Marketing Function Employees are prohibited from (a) conducting Transmission Functions – *i.e.*, day-to-day operations, including granting or denying transmission service; and (b) having access to a system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

5.2.2 **Implementation.** PSE Marketing and Transmission Function Employees have restricted access to each other’s work areas. PSE Marketing Function Employees do not have cardkey access to Transmission Function facilities and PSE Transmission Function Employees do not have access to Marketing Function facilities. The access cards issued to these employees are programmed such that the card reader outside Marketing Function facilities will not open the secured door for Transmission Function Employees and the card reader outside the transmission operations facilities will not open the secured door for Marketing Function employees. As with any other transmission customer, PSE Marketing Function Employees must be provided with an escort when accessing PSE Transmission Function facilities.

5.2.3 **General rule.** Transmission Function Employees are prohibited from conducting Marketing Functions.

5.2.4 **Implementation.** PSE maintains a list of Marketing Function Employees on its Intranet. PSE Transmission Function Employees are not on the list of Marketing Function Employees and therefore are not permitted to conduct Marketing Functions, such as trading.

5.2.3.1 In addition, only PSE Marketing Function Employees are permitted access to electronic trading systems and tools which support PSE Marketing Function activities.

5.2.3.2 PSE’s Transmission Function Employees share a common Local Area Network (LAN) with its Marketing Function Employees.

Each employee is assigned a network user identification and restrictions are in place to control access to network user groups.

- 5.3 **Exceptions for emergencies.** FERC recognizes that system reliability must be maintained. Therefore, notwithstanding any other provision in the Standards of Conduct, in emergency circumstances affecting system reliability, whatever steps are necessary to keep the system in operation may be taken. In emergency circumstances, if a contemporaneous record cannot be made, PSE will make a record of the exchange as soon as practicable after the fact. Instructions which provide for the documenting and recording of exchanges occurring in emergency circumstances are included in the appropriate emergency procedures.
- 5.4 **Employee transfers.** Transmission Function Employees and Marketing Function Employees may transfer between such functions so long as such transfers are not used as a means to circumvent these procedures. Notices of employee transfers between functions are to be posted within seven business days and maintained for 90 days on the Internet website (OASIS). The information posted includes: i) the name of the transferring employee; ii) the title of the employee before and after the transfer; and iii) the effective date of the transfer.
- 5.5 **Guidance governing communications between PSE Marketing and Transmission Functions.**
- 5.5.1. Unless with regard to a specific transmission request, PSE Transmission Function Employees shall direct all transmission customers, including those from its Affiliates, to the OASIS for information about PSE's transmission system that is not otherwise available to the general public without restriction.
- 5.5.2 PSE Marketing Function Employees will not seek to obtain any Transmission Function information that is not publicly available via PSE's OASIS or to the general public. Information that is generally available to power marketers that join organizations such as Western Electric Coordinating Council ("WECC"), Northwest Power Pool ("NWPP"), or that is otherwise generally available to power marketers through other means, such as WECCNet, is included in information considered for purposes of these procedures to be available to the general public.
- 5.5.3 PSE's Transmission Function Employees may share with its Marketing Function Employees generation information necessary to perform generation dispatch that does not include specific information about individual third party transmission transactions or potential transmission arrangements.

5.5.4 PSE's Transmission Function Employees and Marketing Function Employees share information on Area Control Error (ACE), system and area load, operating status of PSE-owned generation facilities and control area net interchange.

5.5.5 A contemporaneous record of the exchanges between PSE Marketing and Transmission Functions of non-public transmission information will be maintained. Recorded telephone communications, e-mails, and hand-written notes documenting the exchange of such non-public Transmission Function information between Transmission and Marketing Function employees is collected and retained for a period of five years. The information will be made available to FERC upon request.

5.5.6 For information governing meetings between the Marketing and Transmission Functions, see Section 7.5 below.

6.0 NO-CONDUIT RULE

6.1 **General rule.** PSE and its employees are prohibited from using anyone as a conduit for the disclosure of non-public Transmission Function information to its Marketing Function Employees.

6.2 **Scope of rule.** PSE employees, contractors, consultants or agents and employees, contractors, consultants, or agents of an affiliate with Marketing Function Employees are prohibited from disclosing non-public transmission information to Marketing Function Employees.

6.3 **Implementation.** Employees, contractors, consultants and agents of PSE may have responsibility for certain functions that gives them access to Transmission Function information (*e.g.*, IT, legal, accounting, etc). Although these employees are allowed access to non-public Transmission Function information in the course of performing their job functions, they are not to act as a conduit to share any such information with PSE Marketing Function Employees.

6.4 **Exceptions.** The no-conduit rule is subject to the exceptions discussed at Section 7.4 below.

7.0 TRANSPARENCY RULE

7.1 **Contemporaneous disclosure of non-public transmission information.** If PSE's Transmission Function discloses non-public Transmission Function

information, PSE shall immediately post the information that was disclosed on its Internet website (OASIS).

7.2 **Non-public transmission customer information or CEII.** If PSE discloses non-public transmission customer information or critical energy infrastructure information (CEII), PSE shall immediately post notice on its website that the information was disclosed.

7.3 **Exceptions to the posting requirement.**

7.3.1 **Specific transaction information.** PSE Transmission Function Employees may discuss with its Marketing Function Employees a specific request for transmission service submitted by Marketing Function Employees.

7.3.2 **Voluntary consent provision.** A transmission customer may voluntarily consent, in writing, to allow PSE to disclose the transmission customer's non-public information to PSE's Marketing Function Employees. If this occurs, notice of the voluntary consent must be posted. See Section 7.4.6.

7.3.3 **Permitted exchanges.** PSE Transmission and Marketing Function Employees are permitted to exchange information pertaining to: (a) compliance with Reliability Standards approved by the Commission, and (b) maintenance or restoration of operations of the transmission system or generating units or that may affect the dispatch of generating units. Where such information is exchanged by Transmission and Marketing Function Employees, PSE is subject to the recordation requirements set forth in 7.6, below.

7.3.4 **Emergencies.** If necessary, in the event of an emergency, PSE may suspend the posting requirements. If any disruption or emergency event persists for more than 30 days, PSE will notify the Commission. The notification will identify the nature of the emergency situation, the duration of the emergency situation and include any request for further exemption from posting requirements. See Section 7.6 below.

7.4 **Posting requirements.** On PSE's Internet website (OASIS), the default Home Page includes a notice for each manual posting in such a manner as to be readily accessible to website visitors. Each such notice includes a description of the posting, the date of the posting and location on the OASIS of the posted document. Postings which are automatically generated by OASIS activities, such as curtailment notices, are easily navigated to by prominent menu bars and drop-down menus. PSE posts on OASIS the following information:

- 7.4.1 **Marketing affiliates.** The names and addresses of Affiliates that employ or retain Marketing Function Employees.
 - 7.4.2 **Shared facilities.** A complete list of facilities shared by PSE Marketing and Transmission Function Employees.
 - 7.4.3 **Potential merger partners.** Information concerning potential merger partners as affiliates within seven days of announcing the potential merger (within 7 days of the announcement).
 - 7.4.4 **Employee information.** The job titles and job descriptions of its Transmission Function Employees (updated within 7 days of any changes).
 - 7.4.5 **Transfers.** When any employee is transferred between Covered Positions: i) the name of the transferring employee; ii) the title held and the associated function before the transfer; iii) the new title and the associated function after the transfer; and iv) the effective date of the transfer.
 - 7.4.6 **Voluntary consent provisions.** If a transmission customer authorizes PSE to disclose its information to Marketing Function Employees, notice of that consent along with a statement that PSE did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.
 - 7.4.7 **Inadvertent disclosure.** Any non-public Transmission Function information disclosed to an Affiliate, unless subject to Section 7.3 above. The information is required to be posted immediately.
 - 7.4.8 **Posting of waivers.** Notice of each waiver provision that it grants in favor of an Affiliate, unless such waiver has been approved by FERC. The posting must be made within 24 hours. PSE must also maintain a log of the acts of waiver, and make it available to FERC upon request. The records must be kept for five years.
 - 7.4.9 **Procedures.** These procedures setting forth PSE's implementation of the Standards of Conduct. The procedures will be updated as needed.
- 7.5 **Meetings involving both Transmission and Marketing Function Employees.** Meetings with both Marketing and Transmission Function Employees are generally discouraged, except for non-business related activities (*i.e.* Human Resources led training and personal enrichment opportunities) or in connection with the exceptions identified in Section 7.3. Where meetings do occur, the Chief Compliance Officer or his designee will

attend the meeting and remind employees about the Standards of Conduct restrictions.

7.5.1 **Meeting attendance.** Attendance will be recorded and notes of the meeting will be retained as well. See Section 7.6 below.

7.5.2 **Inadvertent Disclosure.** If any inadvertent disclosure of non-public Transmission Function information occurs, that information will be posted on OASIS immediately, as noted above.

7.6 **Recordation requirements.** Where Transmission and Marketing Function Employees discuss information necessary to maintain or restore operation of the transmission or generating units, or that may affect the dispatch of generating units (see Section 7.3.3 above), PSE must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and must be retained for a period of five years.