

**SALT RIVER PROJECT  
STANDARDS OF CONDUCT AND WRITTEN PROCEDURES  
FOR COMPLIANCE WITH FERC ORDER 717  
February 11, 2009**

The Salt River Project Agricultural Improvement and Power District (“SRP”), in compliance with the Federal Energy Regulatory Commission’s (“FERC”) Order No. 717, establishes these procedures as protocols for compliance with applicable provisions of Title 18 of the Code of Federal Regulations Part 358, Standards of Conduct for Transmission Providers. As a political subdivision of the State of Arizona, SRP operates its transmission system under an open access transmission tariff approved and overseen by the SRP Board of Directors and consistent with the FERC Standards of Conduct. SRP commits to provide transmission service to third parties on a voluntary and nondiscriminatory basis and shall not grant preferential treatment to any party, including itself and its Marketing Function Employees, when providing wholesale transmission service.

**1. Non-Discrimination Requirements**

- a. SRP must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service if the tariff provisions do not permit the use of discretion.
- b. SRP must 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 not unduly discriminatory manner, if the tariff provisions permit the use of discretion.
- c. SRP 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, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services or balancing).
- d. SRP must process all similar requests for transmission in the same manner and within the same period of time.

**2. Independent Functioning Rule**

- a. Except as permitted in 18 C.F.R. Part 358 or otherwise permitted by FERC order, SRP Transmission Function Employees must function independently of SRP Marketing Function Employees.
- b. SRP is prohibited from permitting SRP Marketing Function Employees to:
  - i. Conduct transmission functions.

- ii. Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers. Access shall be restricted by proximity cards in accordance with access control procedures.
- c. SRP is prohibited from permitting SRP Transmission Function Employees to conduct Marketing Functions.

**3. No Conduit Rule**

- a. SRP is prohibited from using anyone as a conduit for the disclosure of non-public Transmission Function Information to its Marketing Function Employees.

**4. Transparency Rule**

a. Contemporaneous Disclosure

- i. If SRP discloses non-public SRP Transmission Function Information, other than that described in the following paragraph, in a manner contrary to the requirements of the No Conduit Rule above, SRP must immediately post the information that was disclosed on the SRP OASIS.
- ii. If SRP discloses, in a manner contrary to the requirements of the No Conduit Rule above, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in 18 C.F.R. § 388.1 13(c) (1) or any successor provision, or any other information that FERC by law has determined is subject to limited dissemination, SRP must immediately post notice on the SRP OASIS that the information was disclosed.
- iii. It is the responsibility of each individual SRP employee to understand and recognize whether any information relating to transmission constitutes Transmission Function Information prohibited from being disclosed to Marketing Function employees.
- iv. It is the responsibility of each individual SRP employee to promptly notify his/her supervisor in the event of any such improper disclosure. It is the responsibility of the supervisor to promptly contact the Chief Compliance Officer or his/her designee who will be responsible for ensuring the proper posting of the disclosed information. In the event that the supervisor is not immediately available, the SRP employee shall directly contact the Chief Compliance Officer or his/her designee.

b. Exclusion for Specific Transaction Information

SRP Transmission Function Employees may discuss with SRP

Marketing Function Employees a specific request for transmission service submitted by the Marketing Function Employee. SRP is not required to contemporaneously disclose information otherwise covered by the No Conduit Rule if the information relates solely to a Marketing Function Employee's specific request for transmission service.

c. Voluntary Consent Provision

A transmission customer may voluntarily consent, in writing, to allow SRP to disclose the transmission customer's non-public information to the SRP Marketing Function Employees. If a transmission customer authorizes SRP to disclose its information to Marketing Function Employees, SRP must post notice on the SRP OASIS of that consent along with a statement that SRP did not provide any preferences, either operational or rate-related, in exchange for the voluntary consent.

d. Posting Written Procedures on the SRP OASIS

SRP must post on the SRP OASIS these current written procedures implementing the Standards of Conduct.

e. Identification of Affiliate Information on the SRP OASIS

i. SRP must post on the SRP OASIS the names and addresses of all SRP Affiliates that employ or retain Marketing Function Employees.

ii. SRP must post on the SRP OASIS a complete list of the employee-staffed facilities shared by any SRP Transmission Function Employees and SRP Marketing Function Employees. The list must include the types of facilities shared and the address of the facilities.

iii. SRP must post on the SRP OASIS information concerning potential merger partners as Affiliates that may employ or retain Marketing Function Employees, within seven (7) days after the potential merger is announced.

f. Identification of Employee Information on the SRP OASIS

i. SRP must post on the SRP OASIS the job titles and job descriptions of SRP Transmission Function Employees.

ii. SRP must post a notice on the SRP OASIS 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 posted under this section must remain on the SRP OASIS for a minimum of ninety (90) days. SRP shall not use such employee transfers as a means for circumventing a

provision of 18 C.F.R. Part 358. The information to be posted must include at a minimum:

- a) The name of the transferring employee
- b) The respective titles held while performing each function (i.e., as a Transmission Function Employee and as a Marketing Function Employee)
- c) The effective date of the transfer

g. Timing and General Requirements of Postings on the SRP OASIS

- i. SRP must update on the SRP OASIS the information required under 18 C.F.R. Part 358 within seven (7) business days of any change, and post the date on which the information was updated.
- ii. In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts SRP's normal business operations, the posting requirements under 18 C.F.R. Part 358 may be suspended by SRP. All internet website postings required under 18 C.F.R. Part 358 must be sufficiently prominent as to be readily accessible.

h. Exclusion for and recordation of certain information exchanges

- i. Notwithstanding the requirements of 2.a. and the No Conduit Rule above (18 C.F.R. §§ 358.5(a) and 358.6), SRP Transmission Function Employees and SRP Marketing Function Employees may exchange certain non-public transmission function information, as delineated in h.ii below, in which case SRP must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case SRP must make a record of the exchange as soon as practicable after the fact. The record may consist of handwritten or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges and the like, and must be retained for a minimum period of five (5) years.
- ii. The non-public information subject to the exclusions in h.i above is as follows:
  - a) Information pertaining to compliance with Reliability Standards approved by FERC, and
  - b) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

i. Posting of Waivers

- i. SRP must post on the SRP OASIS notice of each waiver of a tariff provision that SRP grants in favor of an SRP Affiliate. The posting must be made within one (1) business Day of

the act of a waiver. SRP must also maintain a log of such acts of waiver and maintain such a log for a minimum period of five (5) years from the date of each act of waiver.

## **5. Implementation Requirements**

- a. Effective Date
  - i. SRP must be in full compliance with the Standards of Conduct on the date it commences transmission transactions with an Affiliate that engages in Marketing Functions.
  - ii. The effective date is November 26, 2008.
- b. Compliance Measures and Written Procedures
  - i. SRP must implement measures to ensure that the requirements of the Independent Function Rule and the No Conduit Rule are observed by SRP employees and by the employees of SRP Affiliates.
  - ii. SRP must distribute these written procedures 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
  - i. SRP must provide annual training on the Standards of Conduct to all employees listed in 5.b.ii. above. SRP must provide training on the Standards of Conduct to new employees in the categories listed in 5.b.ii. above within the first thirty (30) days of their employment. SRP must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training. SRP must designate a chief compliance officer who will be responsible for standards of conduct compliance. SRP must post the name of the chief compliance officer and provide his or her contact information on the SRP OASIS.
- d. Books and Records

SRP must maintain its books of account and records relating to transmission function information separately from those of SRP Affiliates that employ or retain Marketing Function Employees.

## **6. Definitions.**

- a. Affiliate of a specified entity means:
  - i. Another person that controls, is controlled by, or is under common control with the specified entity. An Affiliate includes a division of the specified entity that operates as a functional unit.

- ii. For an exempt wholesale generator (as defined under 18 C.F.R. § 366.1), Affiliate shall have the meaning set forth in 18 C.F.R. § 366.1, or any successor provision.
- iii. “Control” as used in this definition means the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to direct the management policies of an entity. A voting interest of ten (10) percent or more creates a rebuttable presumption of control.
- b. Marketing Functions 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.
- c. Marketing Function Employee means an employee, contractor, consultant or agent of SRP or of an Affiliate of SRP who actively and personally engages on a day-to-day basis in Marketing Functions.
- d. Transmission Functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.
- e. Transmission Function Employee means an employee, contractor, consultant or agent of SRP who actively and personally engages on a day-to-day basis in Transmission Functions.
- f. Transmission Function Information means information relating to transmission functions.