

TVA STANDARDS OF CONDUCT, 2010 EDITION

1. General principles

(a) TVA shall treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and, to the extent consistent with the TVA Act and other applicable law, 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 the provision of transmission service, under TVA's Transmission Service Guidelines (Guidelines), of electric energy in interstate commerce.

(b) TVA's transmission function employees shall function independently from its marketing function employees, except as permitted in the Standards of Conduct.

(c) TVA and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to its marketing function employees.

(d) TVA shall provide equal access to non-public transmission function information disclosed to marketing function employees to all its transmission customers, affiliated and non-affiliated, except as permitted by the Standards of Conduct.

These General Principles are more fully described and implemented in subsequent sections of the Standards of Conduct.

2. Definitions

(a) Internet website refers to the Internet location where TVA posts the information, by electronic means, required under the Standards of Conduct.

(b) Marketing functions means the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce as permitted under the TVA Act, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights to third parties outside the TVA area.

(c) Marketing function employee means an employee, contractor, consultant or agent of TVA who actively and personally engages on a day-to-day basis in marketing functions.

(d) Open Access Same Time Information System or OASIS refers to the Internet location where public utilities post the information required by part 37 of Title 18, Code of Federal Regulations (18 CFR), and where TVA may also post the information required to be posted on its Internet website by the Standards of Conduct.

(e) Transmission means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission.

(f) Transmission customer means any eligible customer under the Guidelines or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.

(g) 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.

(h) Transmission function employee means an employee, contractor, consultant or agent of TVA who actively and personally engages on a day-to-day basis in transmission functions.

(i) Transmission function information means information relating to transmission functions.

(j) Transmission service means the provision of any transmission as defined in Sec. 2(e).

(k) TVA means the Tennessee Valley Authority, a corporation created by and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended.

(l) Waiver means the determination by TVA, if authorized by the Guidelines, to waive any provisions of the Guidelines for a given entity.

3. Non-discrimination requirements

TVA shall, to the extent consistent with the TVA Act and other applicable law:

(a) Strictly enforce all Guidelines provisions relating to the sale or purchase of open access transmission service, if the provisions do not permit the use of discretion;

(b) Apply all Guidelines 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 (to the extent consistent with the TVA Act and other applicable law), if the provisions permit the use of discretion;

(c) Not, through the Guidelines or otherwise (to the extent consistent with the TVA Act and other applicable law), 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) Process all similar requests for transmission under the Guidelines in the same manner and within the same period of time.

4. Independent functioning rule

(a) General rule. Except as permitted in the Standards of Conduct, TVA's transmission function employees shall function independently of its marketing function employees.

(b) Separation of functions.

(1) TVA does not permit its marketing function employees to:

(i) Conduct transmission functions; or

(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.

(2) TVA does not permit its transmission function employees to conduct marketing functions.

5. No conduit rule

(a) TVA shall not use anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.

(b) All employees, contractors, consultants or agents of TVA are prohibited from disclosing non-public transmission function information to any of TVA's marketing function employees.

6. Transparency rule

(a) Contemporaneous disclosure.

(1) If TVA discloses non-public transmission function information, other than information identified in paragraph (a)(2) of this section, in a manner contrary to the requirements of Sec. 5, TVA shall immediately post the information that was disclosed on its Internet website.

(2) If TVA discloses, in a manner contrary to the requirements of Sec. 5, non-public transmission customer information, CEII as defined in § 388.113(c)(1) of 18 CFR or any successor provision, or any other information that the Federal Energy Regulatory Commission (FERC) by law has determined is to be subject to limited dissemination, TVA shall immediately post notice on its website that the information was disclosed.

(b) Exclusion for specific transaction information. A TVA transmission function employee may discuss with a TVA marketing function employee a specific request for transmission service submitted by the marketing function employee. TVA is not required to contemporaneously disclose information otherwise covered by Sec. 5 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 TVA to disclose the transmission customer's non-public information to TVA's marketing function employees. If the transmission customer authorizes TVA to disclose its information to marketing function employees, TVA 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 that voluntary consent.

(d) Posting written procedures on the public Internet. TVA must post on its Internet website current written procedures implementing the standards of conduct.

(e) Identification of employee information on the public Internet.

(1) TVA must post on its Internet website the job titles and job descriptions of its transmission function and marketing function employees.

(2) TVA must post on its Internet website a complete list of the employee-staffed facilities shared by any of its transmission function employees and marketing function employees. The list includes the types of facilities shared and the addresses of the facilities.

(3) TVA shall post a notice on its Internet website 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 Internet website for 90 days. No such job transfer may be used as a means to circumvent any provision of the Standards of Conduct. The information to be posted shall include:

(i) The name of the transferring employee,

(ii) The respective titles held while performing each function (i.e., as a transmission function employee and as a marketing function employee), and

(iii) The effective date of the transfer.

(f) Timing and general requirements of postings on the public Internet.

(1) TVA shall update on its Internet website the information required by the Standards of Conduct within seven business days of any change, and post the date on which the information was updated. TVA may also post the information on its OASIS, but is not required to do so.

(2) In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts TVA's normal business operations, the posting requirements may be suspended.

(3) All Internet website postings required by the Standards of Conduct must be sufficiently prominent as to be readily accessible.

(g) Exclusion for and recordation of certain information exchanges.

(1) Notwithstanding the requirements of Secs. 4(a) and 5, TVA's transmission function employees and marketing function employees may exchange certain non-public

transmission function information, in which case TVA shall make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record shall 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 the like, and shall be retained for a period of five years.

(2) The non-public information subject to the exclusion in Sec. 6(g)(1) is as follows:

(i) Information pertaining to compliance with Reliability Standards approved by FERC, and

(ii) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

(h) Posting of waivers. TVA shall post on its Internet website notice of each waiver of a Guidelines provision that it grants in favor of its marketing function. The posting shall be made within one business day of the act of a waiver. TVA shall also maintain a log of the acts of waiver. The records shall be kept for a period of five years from the date of each act of waiver.

(i) Access to records. TVA shall make its records available to others in accordance with applicable law.

7. Implementation

(a) Effective date. These Standards of Conduct shall be effective on March 1, 2010.

(b) Compliance measures and written procedures. TVA shall distribute the written procedures referred to in Sec. 6(d) 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.

(c) Training and compliance personnel.

(1) TVA shall provide annual training on the standards of conduct to all the employees listed in paragraph (b) of this section. TVA shall provide training on the standards of conduct to new employees in the categories listed in paragraph (b) of this section, within the first 30 days of their employment. TVA shall require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

(2) TVA must designate a chief compliance officer who will be responsible for standards of conduct compliance. TVA shall post the name of the chief compliance officer and provide his or her contact information on its Internet website.

(d) Books and records. TVA shall maintain its books of account and records according to applicable laws.