

**OLD DOMINION ELECTRIC COOPERATIVE
PROCEDURES IMPLEMENTING
FERC STANDARDS OF CONDUCT
18 C.F.R. PART 358 – STANDARDS OF CONDUCT**

Updated December 12, 2008

Applicability

This document describes the procedures of Old Dominion Electric Cooperative (“ODEC”) to implement the Federal Energy Regulatory Commission’s (“FERC”) Order No. 717 Standards of Conduct (“Procedures”). *See Attachment 1.* ODEC is a generation-owning utility, dependent upon use of the transmission facilities of PJM under its Tariff to deliver the output of ODEC’s generation facilities located within PJM and to deliver periodic power purchases from third party sellers to the load of its member systems in PJM’s footprint. ODEC is also a PJM Transmission Owner, by virtue of (1) its ownership interest in two jointly-owned 900-foot long transmission line facilities that interconnect certain ODEC-owned generation at Rock Springs, Maryland to the transmission system of PJM (the “Rock Springs Facilities”), and (2) its ownership of certain 69 kV transmission facilities located in the Commonwealth of Virginia on the Delmarva Peninsula (the “Delmarva Facilities”). ODEC also owns a 1/16 share in ACES Power Marketing which participates in the energy market on ODEC’s behalf.

A copy of these Procedures has been distributed to the Transmission Employees and Marketing Employees of ODEC and ACES who may have access to information about transmission, energy, power or marketing. In addition, this information is posted on ODEC’s public internet web site and is available to all employees.

Strict Compliance Policy

It is the Companies’ policy to strictly comply with the FERC Standards of Conduct, as well as the other federal and state codes and standards that are applicable to one or all of the Companies. As an ODEC employee, it is your responsibility to review these Procedures and the FERC Regulations, and to understand your responsibilities under the FERC Standards of Conduct and what you may or may not do under the Standards of Conduct. Employees should be careful not to under-interpret or over-interpret the Standards of Conduct. **IF YOU NEED HELP:** Please contact your supervisor or the Chief Compliance Officer (see below) with any questions concerning the appropriate application and interpretation of the Standards of Conduct that may govern your work function and any work activities or situations in which you need guidance. As in most situations, good judgment and common sense should guide your decisions about how to interpret and apply this business policy. If you need help interpreting this policy or if you observe potential violations of it, contact your supervisor or the Chief Compliance Officer. Every ODEC employee, regardless of employment status, is expected, and has a continuing responsibility, to comply with these Standards of Conduct Procedures and the Standards of Conduct Regulations in every decision made and in every action taken in the conduct of ODEC businesses.

FERC General Principles

(a) A transmission provider must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must 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 transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

(b) A transmission provider's transmission function employees must function independently from its marketing function employees, except as permitted in this part or otherwise permitted by Commission order.

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

(d) A transmission provider must provide equal access to non-public transmission function information to all its transmission function customers, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information. (Reference FERC Regulations 18 C.F.R. § 358.2)

Independent Functioning Rule:

1. Transmission and Market Function Employees

Except in specific circumstances (See Exclusion for Permitted Information Exchange below), Transmission Function Employees of ODEC will function independently from Marketing Function Employees of ODEC and its affiliates. The separation of functions will ensure that marketing function employees do not conduct transmission functions or have access to the system control centers or other facilities used for transmission operations to which other transmission customers would not have access. Similarly, transmission function employees will not be permitted to conduct marketing functions. (Reference FERC Regulations 18 C.F.R. §§ 358.5)

A transmission function employee is a person (employee, Company contractor, consultant or agent) of a transmission provider who actively and personally engages in transmission functions such as the planning, directing, organizing or carrying out of day to day transmission operations, including the granting and denying of transmission service requests. (Reference FERC Regulation 18 C.F.R. §§ 358.3(i). and 358.4(h))

A marketing function employee is a person (employee, contractor, consultant or agent) of a transmission provider or of an affiliate of a transmission provider who actively engages on a day-to-day basis in marketing functions which are defined differently for electric sales and gas sales.

Electric:

In the case of public utilities and their affiliates, 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;

Gas:

In the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:

- (i) Bundled retail sales,
- (ii) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
- (iii) Sales of natural gas solely from a seller's own production,
- (iv) Sales of natural gas solely from a seller's own gathering or processing facilities, and
- v) Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.

(Reference FERC Regulation 18 C.F.R. §§ 358.3(c) and (d)).

2. Supervisors, Manager and Corporate Executives

Managers or supervisors are subject to the Independent Functioning Rule if the manager or supervisor regularly carries out or supervises the details of the transmission or marketing activities in question or if he or she actively and personally engages in them. Managers and supervisors are not subject to the independent function rule if he or she merely signs off on the activities without having directed or organized the activities and if he or she is not personally engaged in them.

3. Shared Employees

Employees such as attorneys, accountants, risk management personnel, regulatory personnel, rate design personnel and strategic planning personnel are not subject to the Independent Functioning Rule if they do not perform day to day transmission or marketing functions. These employees may consult with both marketing and transmission function employees in the course of their duties; however, they are subject to the No Conduit Rule (See No Conduit Rule below) and are prohibited from transmitting transmission function information to marketing employees or vice versa.

4. Exclusion for Permitted Information Exchange

There is an exclusion from the Independent Functioning Rule and the No Conduit Rule for the following two categories of information:

- “information pertaining to compliance with Reliability Standards approved by the Commission,” and
- “information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

In situations requiring the exchange of such non-public information, the transmission provider 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 contemporaneous records be made of the communication, except in cases of emergency, when recordation was to be made as soon after the fact as practicable. Records of the communications must be retained for a period of five years. The recording of any meetings and exchanges of information under the exclusion does not need to take any particular form and that the important element of the requirement is to make a record of what generally was discussed, and the date and persons involved. A person other than the Chief Compliance Officer may be designated to manage recording made under the exclusion. (Reference FERC Regulation 18 C.F.R. § 358.7(h)).

No Conduit Rule

Transmission provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to the transmission provider’s marketing function employees. (Reference FERC Regulation 18 C.F.R. § 358.6)

Transparency Rule

In order to alert interested persons including the Federal Energy Regulatory Commission to potential acts of undue preference, the transmission provider must immediately post on its internet website any non-public transmission information that is disclosed in violation of the No Conduit Rule. (Reference FERC Regulation 18 C.F.R. § 358.7)

Chief Compliance Officer

ODEC has designated Lisa Johnson, Senior Vice President of Power Supply, as the Chief Compliance Officer for ODEC. Lisa Johnson can be reached by phone at 804-968-4025. Please forward any questions regarding specific compliance issues to Lisa Johnson and Lopa Parikh, Director of RTO & Regulatory Affairs. Any questions regarding the Standards of Conduct will be logged and maintained by Lopa Parikh. (Reference FERC Regulation 18 C.F.R. § 358.8(c)(2)).

The Chief Compliance Officer is responsible for overall compliance with the FERC Standards of Conduct, including training, answering employee questions and ensuring compliance.

Implementing Tariffs

ODEC operates under the PJM Tariff and does not generally perform tariff administration. To the extent ODEC implements transmission tariffs on behalf of PJM, ODEC will apply all tariff provisions in a non-discriminatory manner. No preference will be given to a market function employee over any other wholesale customer in matters relating to the sale or purchase of transmission service. If a waiver from a tariff provision is granted by ODEC, then such waiver will be posted on the internet within one business day of granting the waiver. (Reference FERC Regulation 18 C.F.R. § 358.7(i).)

Training

ODEC employees including transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information will receive annual training on the FERC Standards of Conduct. Each employee that receives training will certify, electronically or in writing, that the employee has received the training. Any new employee or employee transferring into a transmission function will be trained within 30 days of taking such position. (Reference FERC Regulation 18 C.F.R. § 358.8(c)(1)).

Posting Requirements

ODEC will meet all applicable posting requirements contained in the FERC Standard of Conducts.

Attachment 1

In consideration of the foregoing, the Commission revises part 358, Chapter I, Title 18, Code of Federal Regulations, to read as follows:

1. Part 358 is revised to read as follows:

PART 358—STANDARDS OF CONDUCT
Sec.

§ 358.1 Applicability.

§ 358.2 General principles.

§ 358.3 Definitions.

§ 358.4 Non-discrimination requirements.

§ 358.5 Independent functioning rule.

§ 358.6 No conduit rule.

§ 358.7 Transparency rule.

§ 358.8 Implementation requirements.

Authority: 15 U.S.C. 717–717w, 3301–3432; 16 U.S.C. 791–825r, 2601–2645; 31 U.S.C. 9701; 42 U.S.C. 7101–7352.

§ 358.1 Applicability.

(a) This part applies to any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of this chapter and conducts transmission transactions with an affiliate that engages in marketing functions.

(b) This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce and conducts transmission transactions with an affiliate that engages in marketing functions.

(c) This part does not apply to a public utility transmission provider that is a Commission-approved Independent System Operator (ISO) or Regional Transmission Organization (RTO). If a public utility transmission owner participates in a Commission-approved ISO or RTO and does not operate or control its transmission system and has no access to transmission function information, it may request a waiver from this part.

(d) A transmission provider may file a request for a waiver from all or some of the requirements of this part for good cause.

§ 358.2 General principles.

(a) A transmission provider must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must 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 transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

(b) A transmission provider's transmission function employees must function independently from its marketing function employees, except as permitted in this part or otherwise permitted by Commission order.

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

(d) A transmission provider must provide equal access to non-public transmission function information to all its transmission function customers, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information.

§ 358.3 Definitions.

(a) Affiliate of a specified entity means:

(1) 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.

(2) For any exempt wholesale generator (as defined under § 366.1 of this chapter), affiliate shall have the meaning set forth in § 366.1 of this chapter, or any successor provision.

(3) “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 10 percent or more creates a rebuttable presumption of control.

(b) Internet website refers to the Internet location where an interstate natural gas pipeline or a public utility posts the information, by electronic means, required under this part 358.

(c) Marketing functions means:

(1) in the case of public utilities and their affiliates, 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; and

(2) in the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:

(i) Bundled retail sales,

(ii) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,

(iii) Sales of natural gas solely from a seller’s own production,

(iv) Sales of natural gas solely from a seller’s own gathering or processing facilities, and

v) Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.

(d) Marketing function employee 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.

(e) Open Access Same Time Information System or OASIS refers to the Internet location where a public utility posts the information required by part 37 of this chapter, and where it may also post the information required to be posted on its Internet website by this part 358.

(f) Transmission means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities, under part 35 of this chapter; and natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of this chapter.

(g) Transmission customer means any eligible customer, shipper 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.

(h) 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.

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

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

(k) Transmission provider means:

(1) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or

(2) Any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of this chapter.

(3) A transmission provider does not include a natural gas storage provider authorized to charge market-based rates.

(l) Transmission service means the provision of any transmission as defined in § 358.3(f).

(m) Waiver means the determination by a transmission provider, if authorized by its tariff, to waive any provisions of its tariff for a given entity.

§ 358.4 Non-discrimination requirements.

(a) A transmission provider 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) A transmission provider 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) A transmission provider may not, through its tariffs 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) A transmission provider must process all similar requests for transmission in the same manner and within the same period of time.

§ 358.5 Independent functioning rule.

(a) General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.

(b) Separation of functions.

(1) A transmission provider is prohibited from permitting 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) A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.

§ 358.6 No conduit rule.

(a) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.

(b) An employee, contractor, consultant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider's marketing function employees.

§ 358.7 Transparency rule.

(a) Contemporaneous disclosure.

(1) If a transmission provider 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 § 358.6, the transmission provider must immediately post the information that was disclosed on its Internet website.

(2) If a transmission provider discloses, in a manner contrary to the requirements of § 358.6, non-public transmission customer information, critical energy infrastructure information (CEII)

as defined in § 388.113(c)(1) of this chapter or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the transmission provider must immediately post notice on its website that the information was disclosed.

(b) Exclusion for specific transaction information. A transmission provider's transmission function employee may discuss with its marketing function employee a specific request for transmission service submitted by the marketing function employee. The transmission provider is not required to contemporaneously disclose information otherwise covered by § 358.6 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 the transmission provider to disclose the transmission customer's non-public information to the transmission provider's marketing function employees. If the transmission customer authorizes the transmission provider to disclose its information to marketing function employees, the transmission provider must 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. A transmission provider must post on its Internet website current written procedures implementing the standards of conduct.

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

(1) A transmission provider must post on its Internet website the names and addresses of all its affiliates that employ or retain marketing function employees.

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

(3) The transmission provider must post information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced.

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

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

(2) A transmission provider must 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 its Internet 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:

- (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.

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

(1) A transmission provider must update on its Internet website the information required by this part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under part 358 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 a transmission provider's normal business operations, the posting requirements in this part may be suspended by the transmission provider. If the disruption lasts longer than one month, the transmission provider must so notify the Commission and may seek a further exemption from the posting requirements.

(3) All Internet website postings required by this part must be sufficiently prominent as to be readily accessible.

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

(1) Notwithstanding the requirements of §§ 358.5(a) and 358.6, a transmission provider's transmission function employees and marketing function employees may exchange certain non-public transmission function information, as delineated in § 358.7(h)(2), in which case the transmission provider 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 transmission provider shall make the record available to the Commission upon request. 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 must be retained for a period of five years.

(2) The non-public information subject to the exclusion in § 358.7(h)(1) is as follows:

- (i) Information pertaining to compliance with Reliability Standards approved by the Commission, 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.

(i) Posting of waivers. A transmission provider must post on its Internet website notice of each waiver of a tariff provision that it grants in favor of an affiliate, unless such waiver has been approved by the Commission. The posting must be made within one business day of the act of a waiver. The transmission provider must also maintain a log of the acts of waiver, and must make

it available to the Commission upon request. The records must be kept for a period of five years from the date of each act of waiver.

§ 358.8 Implementation requirements.

(a) Effective date.

A transmission provider 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.

(b) Compliance measures and written procedures.

(1) A transmission provider must implement measures to ensure that the requirements of §§ 358.5 and 358.6 are observed by its employees and by the employees of its affiliates.

(2) A transmission provider must distribute the written procedures referred to in § 358.7(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) A transmission provider must provide annual training on the standards of conduct to all the employees listed in paragraph (b)(2) of this section. The transmission provider must provide training on the standards of conduct to new employees in the categories listed in paragraph (b)(2) of this section, within the first 30 days of their employment. The transmission provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

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

(d) Books and records. A transmission provider must maintain its books of account and records (as prescribed under parts 101, 125, 201 and 225 of this chapter) separately from those of its affiliates that employ or retain marketing function employees, and these must be available for Commission inspections