

POLICY

Number 2-47-08

Effective Date: March 4, 2010

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Title: IMPLEMENTATION OF THE FEDERAL ENERGY REGULATORY COMMISSION'S STANDARDS OF CONDUCT AND OASIS

Classification: Corporate

Interpretation Contact: Associate General Counsel
Rates and Regulatory Affairs

Approved By:

POLICY

I. Introduction

In conformance with Section 358.7(d) of the Rules and Regulations of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), this statement of policy and the accompanying procedure ("Policy and Procedure") sets forth the steps Santee Cooper has undertaken in order to implement the Standards of Conduct promulgated by the FERC at Part 358 of the Commission's Rules and Regulations, as revised and restated in Order 717. See 18 C.F.R. § 358.1, *et seq.*; *Standards of Conduct for Transmission Providers*, 125 FERC ¶ 61,064 (2008) Pursuant to this Policy and Procedure Santee Cooper provides that personnel responsible for transmission system operations or reliability functions will operate independently of personnel of Santee Cooper or its affiliates engaged in the Wholesale Marketing Function. The purpose of this separation of functions is to assure that all of Santee Cooper's transmission customers receive non-discriminatory service and that employees of Santee Cooper and its affiliates engaged in the Wholesale Marketing Function do not have preferential access to any information about Santee Cooper's transmission system that is not available to other users of the system. This Policy and Procedure also provides procedures governing operation an Open Access Same-Time Information System ("OASIS"), consistent with FERC rules at 18 C.F.R. § 37.1, *et seq.*

II. General

A. This Policy and Procedure provides for the organizational and physical separation of employees of Santee Cooper engaged in the transmission system operations and reliability functions from employees of Santee Cooper or its affiliates engaged in the Wholesale Marketing Function. Santee Cooper's direct staff includes a number of individuals engaged in the Wholesale Marketing Function, although most of this activity is conducted through Santee Cooper's affiliate, The Energy Authority ("TEA"). Since retail sales are not provided in South Carolina on an unbundled basis, the only other sales,

marketing or brokering activity undertaken by Santee Cooper outside the Wholesale Marketing Function is in connection with bundled retail sales. Activities undertaken in conjunction with such bundled retail sales are outside the scope of this Policy and Procedure, consistent with Section 358.2(c)(1) of the Commission's Rules and Regulations, 18 C.F.R. § 358.2(c)(1).

On June 9, 1997, Santee Cooper, the Municipal Electric Authority of Georgia, and the Jacksonville Electric Authority announced the formation of a new power marketing alliance known as The Energy Authority (TEA). TEA is a Georgia not-for-profit corporation, which has its offices in Jacksonville, Florida. TEA is a full-service power-marketing organization with seven-day per week, 24-hour per day trading operations and will actively participate in the short, mid- and long-term markets. TEA is responsible for buying and selling wholesale power for its members. With the start-up of TEA on Monday, August 18, 1997, Santee Cooper's Wholesale Marketing Function has largely been transferred to TEA.

Santee Cooper employees remaining in the Wholesale Marketing Function include those employees involved in administering Santee Cooper's contract with TEA and those employees administering wholesale requirements contracts. These employees are: the Manager of Wholesale Power Markets, and the several employees who work under the Manager, Wholesale Markets; the Vice President of Corporate Planning & Bulk Power, to whom the Manager, Wholesale Markets reports; and the Senior Vice President, Corporate Services, to whom the Vice President of Corporate Planning & Bulk Power reports. Section II, below, describes protocols governing executive management reporting, physical separation and electronic access designed to ensure the separation of Santee Cooper's transmission function from the Wholesale Marketing Function.

- B. The Policy and Procedure substantially tracks language in the Commission's regulations and emphasizes that these rules are binding on individual employees. Employees failing to comply with the Standards of Conduct face possible disciplinary action, including potential termination. This procedure emphasizes that an employee may not do indirectly what the employee may not do directly in order to circumvent the requirements of these rules.
- C. This Policy and Procedure provides that the System Control Unit will be responsible for administering Santee Cooper's Tariff and OASIS. The System Control Unit is instructed to administer the Tariff in a nondiscriminatory manner in accordance with FERC regulations and operate the OASIS in accordance with the FERC's communication standards and protocols.

PROCEDURE

I. Definitions¹

- A. Affiliate - The Energy Authority.
- B. Corporate Headquarters - The building housing Santee Cooper's principal offices at One Riverwood Drive, Moncks Corner, South Carolina, 29461.
- C. Eligible Customer - (i) Any electric utility (including the Transmission Provider and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider offer the unbundled transmission service or pursuant to a voluntary offer of such service by the Transmission provider. (ii) Any retail customer taking unbundled Transmission Service pursuant to a state requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an Eligible Customer under the Tariff.
- D. Emergency - A condition that has resulted in a loss of reliability of Santee Cooper's electric system or an interconnected electric system, or that may result in such a loss of reliability if not promptly addressed.
- E. Energy Control Center - The building housing Santee Cooper's System Control Center.
- F. Energy Management System or EMS - The computer system used to monitor, control, study and coordinate the operation of a utility's transmission and generation facilities. The EMS includes the operations of distribution and hydro facilities.
- G. Facilities Study - An engineering study conducted by Santee Cooper to determine the modifications to Santee Cooper's Transmission System, including the cost and scheduled completion date for such modifications that will be required to provide the requested transmission service.

¹The definitions in this section have in large part been drawn from Santee Cooper's Open Access Transmission Tariff and FERC regulations.

- H. FERC or Commission - The Federal Energy Regulatory Commission.
- I. LAN or Local Area Network - Work stations that are connected to each other electronically through one computer that is designated and functions as the server. This set-up allows for the exchange of information as needed through one shared drive on the server, while maintaining the privacy of all other files.
- J. OASIS or Open Access Same Time Information System - Information system and associated standards of conduct contained in Title 18, *Code of Federal Regulations*, Part 37.
- K. Open Access Transmission Service - Transmission service offered under Santee Cooper's Open Access Transmission Tariff.
- L. Order No. 717 – *Standards of Conduct for Transmission Providers*, 125 FERC ¶ 61,064 (2008).
- M. SCADA - The Supervisory Control and Data Acquisition system.
- N. Service Agreement - The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and Santee Cooper for service under the Tariff.
- O. Standards of Conduct - The standards of conduct promulgated by FERC in Part 358 of its Rules and Regulations, 18 C.F.R. § 358.1, *et seq.*
- P. System Control Center - The physical location of Santee Cooper's control room, where transmission system operations and generation dispatch take place. The building where these operations take place has been officially designated by Santee Cooper as the Energy Control Center.
- Q. System Control Unit – The operating unit responsible for the following functions: (i) transmission scheduling; (ii) real-time operation of the Transmission System; (iii) generation dispatch; and (iv) hydropower operations.
- R. System Impact Study - An assessment by Santee Cooper of (i) the adequacy of the Transmission System to accommodate a request for either Firm Point-to-Point Transmission Service or Network Integration Transmission Service and (ii) whether any additional costs may be incurred in order to provide transmission service.
- S. Tariff - The South Carolina Public Service Authority's Open Access Transmission Tariff, as it may from time to time be amended.

- T. TEA or The Energy Authority - A certain Georgia not-for-profit corporation with offices at 301 W. Bay Street, Jacksonville, Florida 32202.
- U. Transmission – means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with FERC-jurisdictional transmission facilities.
- V. 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.
- W. Transmission Function Information – means information relating to transmission functions.
- X. 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.
- Y. Transmission Service - means the provision of transmission as defined in V above.
- Z. Waiver - means the determination by a transmission provider, if authorized by its tariff, to waive any provision of its tariff for a given entity.
- AA. 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.
- BB. Transmission Provider - Santee Cooper.
- CC. Transmission System - The facilities owned, controlled or operated by Santee Cooper that are used to provide transmission service under Part II and Part III of the Tariff.
- DD. VACAR - The Virginia-Carolina sub-region of the SERC Reliability Corporation.
- EE. Wholesale Marketing Function -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 the resale of financial or physical transmission rights, all as subject to an exclusion for bundled retail sales, whether undertaken by Santee Cooper's direct employees or employees of its Affiliate.

FF. 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. Marketing Function Employees do not include attorneys involving in the drafting or redrafting of contracts for wholesale sales, unless these employees are involved in making business decisions regarding the marketing function.

II. Functional Separation of Transmission System Operations and the Wholesale Marketing Function

A. Commitment to Comply with Standards of Conduct. In this procedure, Santee Cooper describes those steps it has undertaken in order to achieve the functional separation of its transmission system operations and reliability function from its Wholesale Marketing Function, in full compliance with the Commission's Standards of Conduct.

B. Physical Separation. Employees of Santee Cooper or its Affiliate engaged in the Wholesale Marketing Function will not have access to the Energy Control Center or to similar facilities used for transmission operations or reliability functions that differ in any way from the access available to other open access transmission customers. The System Control Center located in the Energy Control Center, houses System Control Unit personnel and OASIS functions and can only be accessed by use of a coded access card. Issuance of access cards is administered through Santee Cooper's Director of Law Enforcement and Security at the direction of the Vice President of Planning and Power Supply. The Santee Cooper employees engaged in the Wholesale Marketing Function will be located on the third floor of the Corporate Headquarters. TEA employees will be located at TEA's corporate offices in Jacksonville, Florida.

C. Organizational Separation and Executive Management Reports. In order to comply with the Standards of Conduct, Santee Cooper has designed its organizational structure to assure that there is no overlap whatsoever between personnel engaged in the Wholesale Marketing Function and personnel engaged in day-to-day transmission system operations or reliability functions. The Vice President of Corporate Planning & Bulk Power, responsible for those Wholesale Marketing Function employees who remain direct employees of Santee Cooper and for administering Santee Cooper's contract with its Affiliate, has no transmission function responsibilities and no reports from any employees engaged in transmission system operations or reliability and reports. The Vice President of Corporate Planning & Bulk Power reports to the Senior Vice President, Corporate Services. The Senior Vice President, Corporate Services reports directly to Santee Cooper's President. The transmission system operations and reliability function is under the Senior Vice

President of Power Delivery, who reports to the Chief Operating Officer (COO). The COO, in turn, reports directly to Santee Cooper's President. This organizational structure ensures organizational separation consistent with FERC policy.

D. Information Access.

1. General Rules: Employees of Santee Cooper or its Affiliate engaged in the Wholesale Marketing Function will not have access, directly or indirectly, to transmission system data not posted on OASIS. Such data includes transmission line segment displays, displays defining substation layouts and line segments, load shedding displays for transmission, sequence of events displays for transmission, transmission switching orders, voltage reduction displays, EMS system configuration displays, dispatcher training displays, system roadmap, test displays and displays for accessing archived data. Employees engaged in transmission system operations or reliability functions will not provide, and Merchant Function employees will not access, transmission system information on the EMS or on any workstation or server on the Energy Control Center (ECC) LAN or any other LAN which includes transmission information.

Access to the EMS can only be made through use of a specialized EMS terminal. An EMS account and password is necessary to log on to the firewall protected EMS. Accounts and passwords are issued by the System SCADA Supervisor. Only Planning & Power Supply employees are allowed EMS accounts and passwords and access to EMS terminals. No remote access is allowed.

Access to other servers housing transmission system information is granted via rights and privileges authorized by Planning & Power Supply department supervision and management and is administered by the Information Technology Department.

2. Non-public transmission information may be shared with Wholesale Marketing Function personnel to the extent it pertains to compliance with FERC-approved NERC Reliability Standards and information necessary to maintain or restore operation of the transmission system or generating units, or that may affect dispatch of generating units. In the event such information is shared, Santee Cooper will make and retain a contemporaneous record of all such exchanges, except in emergency circumstances, in which case a record will be made of the exchange as soon as practicable after the fact. The record will be retained for a five-year period.

- E. Identification of Affiliates.** TEA is Santee Cooper's only affiliate.
- F. Responsibility for Administering the Tariff and OASIS.** Santee Cooper's System Control Unit is responsible for administering and providing service under the Tariff and implementing Title 18, *Code of Federal Regulations*, Part 37.
- G. Responsibility for Reliability Functions.** The Vice President of Planning and Power Supply and his reports are responsible for the system reliability function of the Santee Cooper system. The Vice President of Planning and Power Supply reports directly to the Senior Vice President of Power Delivery. The System Control Unit is responsible for the reliability of the transmission interfaces that Santee Cooper has with neighboring, interconnected electric utilities.
- H. Designation of Chief Compliance Officer.** In accordance with Section 358.8 (c)(R) of the Commission's Rules and Regulations 18 C.F.R.G. 358.8 (c)(2), the Associate General Counsel Rates and Regulatory Affairs is designated the Chief Compliance Officer.

III. Behavioral Rules

- A. Preamble.** This section prescribes rules governing the behavior of Santee Cooper employees and its Affiliate, consistent with FERC's Standards of Conduct. Employees who are required to comply with this procedure are reminded that the Commission's rules are intended to be interpreted with common sense, prudence and caution and that employees are not permitted to do indirectly (*e.g.* through a third party) what they may not do directly.
- B. General Rule:** Except as provided in section III. B. 2, below, Santee Cooper's Transmission Function Employees must function independently of its Wholesale Marketing Function Employees and those of its Affiliate.
- C. Rules Primarily Addressed to Employees Engaged in the Wholesale Marketing Function.** Any employee of Santee Cooper, or any employee of an affiliate, engaged in the Wholesale Marketing Function:
 - 1. Shall not conduct transmission system operations or reliability functions.
 - 2. Shall not have access to Santee Cooper's System Control Center or to similar Santee Cooper facilities used for transmission operations or reliability functions that differs in any way whatsoever from the access available to other open access transmission customers. As used in this paragraph, access includes not only physical access to the System

Control Center or to similar facilities, but also access to transmission system information on the EMS or on any LAN that is being used in connection with such operations.

3. Shall have access only to that information available to Santee Cooper's open access transmission customers (*i.e.* the information posted on the OASIS) and shall not have preferential access to any information about the Transmission System that is not available to all users on the OASIS.
4. Is prohibited from obtaining information about Santee Cooper's transmission system from Santee Cooper's Transmission Function Employees (including information about available transmission capability, price, curtailments, ancillary services, and the like) through access to information not posted on the OASIS that is not otherwise available to the general public without restriction, or through information through the OASIS that is not also publicly available to all transmission users.

D. Rules Primarily Addressed to Employees Engaged in Transmission System Operations or Reliability Functions.

1. No employee of Santee Cooper or any employee of an affiliate engaged in transmission system operations or reliability functions may disclose to any employee of Santee Cooper or any of its affiliates engaged in the Wholesale Marketing Function any information concerning the transmission system of Santee Cooper or the transmission system of another (including information received from non-affiliates or information about available transmission capability, price, curtailments, ancillary services, *etc.*) that is not available on OASIS.
2. In the event an employee of Santee Cooper engaged in transmission system operations or reliability functions discloses information not posted on the OASIS in a manner contrary to the requirements of the Standards of Conduct or this procedure, that employee must immediately report such fact to the Supervisor of the System Control Unit who in turn must immediately post such information on the OASIS. Such posting and or other disclosure is not required to the extent the information disclosed relates solely to the Santee Cooper Marketing unit's or Affiliate's specific request for transmission service.
3. An employee of Santee Cooper may not share any market information acquired from a non-affiliated Transmission Customer or a potential non-affiliated Transmission Customer, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with an employee of Santee Cooper (or those of an affiliate) engaged in the Wholesale Marketing Function, except to the limited

extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.

4. Santee Cooper's transmission function employees may share with its Wholesale Marketing Function employees and its Affiliate generation information necessary to perform generation dispatch, so long as such information does not include specific information about individual third party transmission transactions or potential transmission arrangements.

E. Tariffs to be Administered in a Non-Discriminatory Manner.

1. **PROVISIONS NOT PROVIDING FOR DISCRETION.** Employees of Santee Cooper engaged in transmission system operations or reliability functions shall strictly enforce all Tariff provisions relating to the sale or purchase of open access transmission service, if these provisions do not provide for the use of discretion.
2. **PROVISIONS PROVIDING FOR DISCRETION.** Employees of Santee Cooper engaged in transmission system operations shall apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all customers (including Santee Cooper and any affiliate) in a non-discriminatory manner if these provisions involve discretion.
3. **NOTICES OF WAIVER.** The System Control Unit shall post on OASIS notice of each waiver of a tariff provision that is granted in favor of Santee Cooper's Wholesale Marketing Function or that of its Affiliate within one business day of the waiver. The System Control Unit shall also maintain a log of the acts of waiver for a period of five years from each action granting waiver.
4. **PREFERENCES DISALLOWED/OFFERING DISCOUNTS.** The System Control Unit may not, through its tariffs or otherwise, give preference to sales for resale by the Wholesale Marketing Function or by an affiliate, over the interests of any other wholesale customer in matters relating to the sale or purchase of transmission service (including issues of price, curtailments, scheduling, priority, ancillary services, *etc.*).

F. Transfer of Employees Between Transmission System Operations or Reliability Functions and the Wholesale Marketing Function.

The System Control Unit shall post on the OASIS in accordance with the Standards of Conduct and these procedures notices of any employee transfer between transmission system operations or reliability functions and the Wholesale Marketing Function. The information to be posted must include: the name of the transferring employee, the respective titles held while performing each function (*i.e.*, on behalf of the transmission provider and wholesale Marketing or affiliate), and the effective date of the transfer. The information must be posted on the OASIS before the effective date of the transfer and must remain on the OASIS for the 90 days after the effective date of the transfer. It is the responsibility of the Vice President of Human Resource Management to identify employees who will be transferring to or from the Wholesale Marketing Function to the transmission systems operations or reliability functions and promptly report this information to the Supervisor of the System Control Unit for posting on the OASIS.

- G. Maintenance of Books and Records.** Santee Cooper will maintain its books of account and records separately from those of its affiliates as required by the Standards of Conduct.
- H. Procedures Implementing Standards of Conduct Will be Publicly Available.** Santee Cooper shall maintain a paper copy of this policy and procedure for public inspection at its Corporate Headquarters. An electronic copy of this policy and procedure will be available both on Santee Cooper's Internet homepage (www.santeecooper.com) and to authorized users on Santee Cooper's OASIS node (vacar.jtsin.com:488/OASIS/SC).
- I. Distribution of this Procedure.** The Chief Compliance Officer shall cause this Policy and Procedure to be distributed to all of Santee Cooper's employees and to employees of Santee Cooper's Affiliate, with the exception of clerical, maintenance, field and support personnel, unless such personnel serve as both transmission function and Wholesale Marketing Function employees.
- J. Training.** The Chief Compliance Officer shall coordinate training on compliance with the Standards of Conduct consistent with Section 358.8(c)(1) of the Commission's Rules and Regulations, 18 C.F.R. § 358(c)(1)).

IV. Administration of OASIS

- A. OASIS to be Implemented in Conjunction with VACAR.**

Santee Cooper has entered into an agreement with VACAR through which an OASIS has been developed that will operate consistent with FERC rules at 18 C.F.R. 37.1, *et seq.*. The System Control Unit is responsible for posting all information that Santee Cooper as Transmission Provider must post on the OASIS and is responsible for operating the OASIS in accordance with applicable Commission regulations.

B. OASIS Database Transactions Will be Available for Audit.

The System Control Unit is responsible for assuring OASIS database transactions shall be stored, dated, time-stamped and available for Commission audit in accordance with Title 18, *Code of Federal Regulations*, Section 37.7.