

NGO TRANSMISSION, INC.
Standards of Conduct, 18 C.F.R. Part 358
Written Implementation Procedures
(Updated July 2006)

EXPLANATION

NGO Transmission, Inc. (NGO Transmission) is the owner and operator of a 171-mile natural gas pipeline and three interconnected storage fields. The facilities were developed primarily to transport and store natural gas on behalf of National Gas and Oil Cooperative (NGO Cooperative), an affiliated local distribution company that supplies natural gas to consumers in southeastern Ohio. Service is also provided on an interruptible basis to two other affiliates, NGO Development Corporation and Producers Gas Sales, Inc. NGO Transmission is regulated by the Federal Energy Regulatory Commission (FERC) pursuant to a certificate of public convenience and necessity issued on October 27, 2003. *See NGO Transmission, Inc.*, 105 FERC ¶ 61,138 (2003).

In late 2003 and early 2004, FERC developed Standards of Conduct that are applicable to interstate natural gas pipelines and other regulated service companies qualifying as "Transmission Providers." The standards seek to ensure that Transmission Providers offer service in a just, reasonable, and not unduly discriminatory manner while functioning independently of so-called "Marketing" and "Energy Affiliates." The deadline for establishing compliance with the standards was September 22, 2004. *See Standards of Conduct for Transmission Providers*, FERC Stats. & Regs. ¶ 31,155 (2003) (Order No. 2004), *reh'g*, FERC Stats. & Regs. ¶ 31,161 (2004) (Order No. 2004-A), *reh'g*, 108 FERC ¶ 61,118 (2004) (Order No. 2004-B).

While meeting the definition of a Transmission Provider and generally subject to the Standards of Conduct, NGO Transmission was granted a partial waiver that enables it to share employees and information with an Energy Affiliate, National Gas and Oil Cooperative (NGO Cooperative). *See High Island Offshore System, L.L.C.*, 116 FERC ¶ 61,047 at P 19 (2006). The attached written procedures were developed in compliance with the standards and are intended to provide customers, prospective customers, and FERC with sufficient information to evaluate NGO Transmission's compliance with the standards. Questions regarding these materials should be directed to NGO Transmissions' Chief Compliance Officer:

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STANDARDS OF CONDUCT FOR TRANSMISSION PROVIDERS

18 C.F.R. Part 358

358.1 Applicability.

358.2 General Principles.

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358.5 Non-Discrimination Requirements.

Authority: 15 USC 717-717w, 3301-3432; 16 USC 791-825r, 2601-2645; 31 USC 9701; 42 USC 7101-7352.

Section 358.1 Applicability.

- (a) This part applies to any interstate natural gas pipeline that transports gas for others pursuant to subpart A of Part 157 or subparts B or G of Part 284 of this chapter.
- (b) This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce.
- (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 facilities and has no access to transmission, customer or market information covered by § 358.5(b), it may request an exemption from this part.
- (d) A Transmission Provider may file a request for an exemption from all or some of the requirements of this part for good cause.

<p>Compliance - No specific procedures are required to implement this section. NGO Transmission acknowledges that, under section 358.1(a), it is generally subject to the Standards of Conduct because it provides service pursuant to Part 284, Subpart G of FERC's regulations. NGO Transmission was granted a waiver of certain standards as discussed further below.</p>

Section 358.2 General principles.

- (a) A Transmission Provider's employees engaged in transmission system operations must function independent from the employees of its Marketing and Energy Affiliates.

- (b) A Transmission Provider must treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis, and must not operate its transmission system to preferentially benefit its Marketing or Energy Affiliates.

Compliance - No specific procedures are required to implement this section 358.2.

Section 358.3 Definitions.

- (a) 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 subpart A of Part 157 or 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 that is not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, has no exclusive franchise area, no captive rate payers and no market power.

- (b) Affiliate means:

- (1) Another person which controls, is controlled by or is under common control with, such person. An Affiliate includes a division that operates as a functional unit, and
- (2) For any exempt wholesale generator, as defined under 32(a) of the Public Utility Holding Company Act of 1935, as amended, the same as provided in Section 214 of the Federal Power Act.

- (c) Control (including the terms "controlling," "controlled by," and "under common control with") as used in this part and § 250.16 of this chapter, includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A voting interest of 10 percent or more creates a rebuttable presumption of control.

- (d) Energy Affiliate means an affiliate of a Transmission Provider that:

- (1) Engages in or is involved in transmission transactions in U.S. energy or transmission markets; or
- (2) Manages or controls transmission capacity of a Transmission Provider in U.S. energy or transmission markets; or
- (3) Buys, sells, trades or administers natural gas or electric energy in U.S. energy or transmission markets; or

- (4) Engages in financial transactions relating to the sale or transmission of natural gas or electric energy in U.S. energy or transmission markets.
- (5) An LDC division of an electric public utility Transmission Provider shall be considered the functional equivalent of an Energy Affiliate, unless it qualifies for the exemption in § 358.3(d)(6)(v).
- (6) An Energy Affiliate does not include:
 - (i) A foreign affiliate that does not participate in U.S. energy markets;
 - (ii) An affiliated Transmission Provider or an interconnected foreign affiliated natural gas pipeline that is engaged in natural gas transmission activities which are regulated by the state, provincial or national regulatory boards of the foreign country in which such facilities are located.
 - (iii) A holding, parent or service company that does not engage in energy or natural gas commodity markets or is not involved in transmission transactions in U.S. energy markets;
 - (iv) An affiliate that purchases natural gas or energy solely for its own consumption. “Solely for its own consumption” does not include the purchase of natural gas or energy for the subsequent generation of electricity.
 - (v) A State-regulated local distribution company that acquires interstate transmission capacity to purchase and resell gas only for on-system sales, and otherwise does not engage in the activities described in §§ 358.3(d)(1), (2), (3) or (4), except to the limited extent necessary to support on-system sales and to engage in de minimus sales necessary to remaining in balance under applicable pipeline tariff requirements.
 - (vi) A producer, gatherer, Hinshaw pipeline or an intrastate pipeline that makes incidental purchases or sales of de minimus volumes of natural gas to remain in balance under applicable pipeline tariff requirements and otherwise does not engage in the activities described in §§ 358.3(d)(1), (2), (3) or (4).
- (e) Marketing, sales or brokering means a sale for resale of natural gas or electric energy in interstate commerce. Sales and marketing employee or unit includes:
 - (1) An interstate natural gas pipeline's sales operating unit, to the extent provided in § 284.286 of this chapter, and
 - (2) A public utility Transmission Provider's energy sales unit, unless such unit engages solely in bundled retail sales.
 - (3) Marketing or sales does not include incidental purchases or sales of natural gas to

operate interstate natural gas pipeline transmission facilities.

- (f) Transmission means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subpart A of Part 157 or subparts B or G of Part 284 of this chapter; and electric transmission, network or point-to-point service, reliability service, ancillary services or other methods of transportation or the interconnection with jurisdictional transmission facilities.
- (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) Open Access Same-time Information System or OASIS refers to the Internet location where a public utility posts the information, by electronic means, required by Part 37 of this chapter.
- (i) Internet website refers to the Internet location where an interstate natural gas pipeline posts the information, by electronic means, required by §§ 284.12 and 284.13 of this chapter.
- (j) Transmission Function employee means an employee, contractor, consultant or agent of a Transmission Provider who conducts transmission system operations or reliability functions, including, but not limited to, those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations.
- (k) Marketing Affiliate means an Affiliate as that term is defined in § 358.3(b) or a unit that engages in marketing, sales or brokering activities as those terms are defined at § 358.3(e).

<p>Compliance - No specific procedures are required to implement this section. NGO Transmission meets the definition of a "Transmission Provider" and is affiliated with entities that qualify as "Energy Affiliates" and/or "Marketing Affiliates."</p>

Section 358.4 Independent functioning.

- (a) Separation of functions.
 - (1) Except in emergency circumstances affecting system reliability, the transmission function employees of the Transmission Provider must function independently of the Transmission Provider's Marketing or Energy Affiliates' employees.
 - (2) Notwithstanding any other provisions in this section, in emergency circumstances affecting system reliability, a Transmission Provider may take whatever steps are necessary to keep the system in operation. Transmission Providers must report to the Commission and post on the OASIS or Internet website, as applicable, each

emergency that resulted in any deviation from the standards of conduct, within 24 hours of such deviation.

- (3) The Transmission Provider is prohibited from permitting the employees of its Marketing or Energy Affiliates from:
 - (i) Conducting transmission system operations or reliability functions; and
 - (ii) Having access to the 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.
- (4) Transmission Providers are permitted to share support employees and field and maintenance employees with their Marketing and Energy Affiliates.
- (5) Transmission Providers are permitted to share with their Marketing or Energy Affiliates senior officers and directors who are not “Transmission Function Employees” as that term is defined in § 358.3(j). A Transmission Provider may share transmission information covered by § 358.5(a) and (b) with its shared senior officers and directors provided that they do not participate in directing, organizing or executing transmission system operations or marketing functions; or act as a conduit to share such information with a Marketing or Energy Affiliate.
- (6) Transmission Providers are permitted to share risk management employees that are not engaged in Transmission Functions or sales or commodity Functions with their Marketing and Energy Affiliates.

Compliance - FERC granted NGO Transmission a partial waiver of the independent functioning requirements applicable to NGO Transmission's relationship with NGO Cooperative. The partial waiver enables employees of NGO Cooperative to perform services on behalf of NGO Transmission as part of an employee sharing arrangement disclosed to FERC. NGO Transmission has taken steps to functionally separate its operations from those of other Marketing and Energy Affiliates. Specifically, NGO Transmission created a new position, Director of Operations, to oversee the performance of day-to-day transmission functions. In this position, the Director of Operations is responsible for ensuring that NGO Transmission provides service in a non-discriminatory manner that complies with FERC's rules and procedures. The Director of Operations awards capacity, facilitates capacity release, and generally implements NGO Transmission's tariff. The Director of Operations has also been appointed to the position of Chief Compliance Officer for the purposes of implementing the Standards of Conduct.

- (b) Identifying affiliates on the public Internet.
 - (1) A Transmission Provider must post the names and addresses of Marketing and Energy Affiliates on its OASIS or Internet website.

- (2) A Transmission Provider must post on its OASIS or Internet website, as applicable, a complete list of the facilities shared by the Transmission Provider and its Marketing and Energy Affiliates, including the types of facilities shared and their addresses.
- (3) A Transmission Provider must post comprehensive organizational charts showing:
 - (i) The organizational structure of the parent corporation with the relative position in the corporate structure of the Transmission Provider, Marketing and Energy Affiliates;
 - (ii) For the Transmission Provider, the business units, job titles and descriptions, and chain of command for all positions, including officers and directors, with the exception of clerical, maintenance, and field positions. The job titles and descriptions must include the employee's title, the employee's duties, whether the employee is involved in transmission or sales, and the name of the supervisory employees who manage non-clerical employees involved in transmission or sales.
 - (iii) For all employees who are engaged in transmission functions for the Transmission Provider and marketing or sales functions or who are engaged in transmission functions for the Transmission Provider and are employed by any of the Energy Affiliates, the Transmission Provider must post the name of the business unit within the marketing or sales unit or the Energy Affiliate, the organizational structure in which the employee is located, the employee's name, job title and job description in the marketing or sales unit or Energy Affiliate, and the employee's position within the chain of command of the Marketing or Energy Affiliate.
 - (iv) The Transmission Provider must update the information on its OASIS or Internet website, as applicable, required by §§ 358.4(b)(1), (2) and (3) within seven business days of any change, and post the date on which the information was updated.
 - (v) The Transmission Provider must post information concerning potential merger partners as affiliates within seven days after the potential merger is announced.
 - (vi) All OASIS or Internet website postings required by Part 358 must comply, as applicable, with the requirements of § 37.3 or §§ 284.12(a) and (c)(3)(v) of this chapter.

Compliance - NGO Transmission has received a waiver of the requirement to operate an interactive Internet website. *See NGO Transmission, Inc.*, 107 FERC ¶ 61,302 at PP 9-10 (2004). Nevertheless, NGO Transmission recognizes that it must still comply with FERC's non-interactive posting requirements, including those imposed by this section 358.4(b). The Chief

Compliance Officer is responsible for compiling the information that must be posted, organizing it in a manner that complies with this section 358.4(b), and forwarding it to NGO Transmissions' webmaster for posting on NGO Transmission's website (<www.ngotransmission.com>). Similarly, employees of NGO Transmission's affiliates have been advised of the need to keep the Chief Compliance Officer apprized of organizational and other changes that require the modification of posted information. Considering the very small size of NGO Transmission and the limited nature of the services it provides, the Chief Compliance Officer anticipates being able to keep posted information updated within the seven business day time period specified in section 358.5(b)(iv).

(c) Transfers.

Employees of the Transmission Provider, Marketing or Energy Affiliates are not precluded from transferring among such functions as long as such transfer is not used as a means to circumvent the Standards of Conduct. Notices of any employee transfers between the Transmission Provider, on the one hand, and the Marketing or Energy Affiliates, on the other, must be posted on the OASIS or Internet website, as applicable. 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, Marketing or Energy Affiliate), and the effective date of the transfer. The information posted under this section must remain on the OASIS or Internet website, as applicable, for 90 days.

Compliance - To the extent that an employee transfer involves NGO Transmission and a Marketing or Energy Affiliate, a notice complying with the requirements set forth in this section 358.4(c) will be posted on NGO Transmission's website for a period of 90 days.

(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 Energy Affiliates and these must be available for Commission inspections.

Compliance - NGO Transmission's books and records are maintained separately from those of Energy and Marketing Affiliates.

(e) Written procedures.

- (1) By February 9, 2004, each Transmission Provider is required to file with the Commission and post on the OASIS or Internet website a plan and schedule for implementing the standards of conduct.

Compliance - NGO Transmission submitted the required filing on February 9, 2004 in FERC Docket No. Docket No. TS04-192-000. A supplemental filing was made in the same docket on July 23, 2004.

- (2) Each Transmission Provider must be in full compliance with the Standards of Conduct by September 22, 2004.

Compliance - NGO Transmission established compliance with the standards by September 22, 2004.

- (3) The Transmission Provider must post on the OASIS or Internet website, current written procedures implementing the standards of conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section by September 22, 2004 or within 30 days of becoming subject to the requirements of Part 358.

Compliance - The instant written procedures were drafted and posted in compliance with this section.

- (4) Transmission Providers will distribute the written procedures to all Transmission Provider employees and employees of the Marketing and Energy Affiliates.

Compliance - NGO Transmission has distributed these written procedures as required.

- (5) Transmission Providers shall train officers and directors as well as employees with access to transmission information or information concerning gas or electric purchases, sales or marketing functions. The Transmission Provider shall require each employee to sign a document or certify electronically signifying that s/he has participated in the training.

Compliance - NGO Transmission developed a Power Point presentation that was used to train its officers and directors, as well as employees with access to NGO Transmission operational information. Individuals completing training were required to sign certification forms that have been retained by NGO Transmission's Chief Compliance Officer.

- (6) Transmission Providers are required to designate a Chief Compliance Officer who will be responsible for standards of conduct compliance.

Compliance - The following individual has been designated the Chief Compliance Officer for NGO Transmission:

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Section 358.5 Non-discrimination requirements.

(a) Information access.

- (1) The Transmission Provider must ensure that any employee of its Marketing or Energy Affiliate may only have access to that information available to the Transmission Provider's transmission customers (i.e., the information posted on the OASIS or Internet website, as applicable), and must not have access to any information about the Transmission Provider's transmission system that is not available to all users of an OASIS or Internet website, as applicable.
- (2) The Transmission Provider must ensure that any employee of its Marketing or Energy Affiliate is prohibited from obtaining information about the Transmission Provider's transmission system (including, but not limited to, information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans or similar information) through access to information not posted on the OASIS or Internet website or that is not otherwise also available to the general public without restriction.

Compliance - As explained above, a Director of Operations has been appointed to oversee NGO Transmission's tariff operations. This individual controls access to potentially-sensitive information regarding NGO Transmission. Additionally, while NGO Transmission has been granted a waiver of the requirement to operate a fully-interactive Internet website, the Director of Operations has nonetheless established a process for disseminating information to customers and potential customers *via* an electronic mail distribution list. For example, entities that are interested in contracting for service can request to be placed on an list of individuals that are contacted when firm service becomes available, such as in a capacity release. These procedures, which are discussed in more detail in NGO Transmission's tariff and in separate postings on NGO Transmissions website, ensure that Marketing and Energy Affiliates are not afforded preferential access to transmission system information. NGO Transmission was granted a partial waiver that permits it to share information with NGO Cooperative.

(b) Prohibited disclosure.

- (1) An employee of the Transmission Provider may not disclose to its Marketing or Energy Affiliates any information concerning the transmission system of the Transmission Provider or the transmission system of another (including, but not limited to, information received from non-affiliates or information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans, or similar information) through non-public communications conducted off the OASIS or Internet website, through access to information not posted on the OASIS or Internet website that is not contemporaneously available to the public, or through information on the OASIS or Internet website that is not at the same time publicly available.
- (2) A Transmission Provider may not share any information, acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS or Internet website, with employees of its Marketing or Energy Affiliates, except to the limited extent information is required to be posted on the OASIS or Internet website in response to a request for transmission service or ancillary services.
- (3) If an employee of the Transmission Provider discloses information in a manner contrary to the requirements of § 358.5(b)(1) and (2), the Transmission Provider must immediately post such information on the OASIS or Internet website.
- (4) A non-affiliated transmission customer may voluntarily consent, in writing, to allow the Transmission Provider to share the non-affiliated customer's information with a Marketing or Energy Affiliate. If a non-affiliated customer authorizes the Transmission Provider to share its information with a Marketing or Energy Affiliate, the Transmission Provider must post notice on the OASIS or 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.
- (5) A Transmission Provider is not required to contemporaneously disclose to all transmission customers or potential transmission customers information covered by § 358.5(b)(1) if it relates solely to a Marketing or Energy Affiliate's specific request for transmission service.
- (6) A Transmission Provider may share generation information necessary to perform generation dispatch with its Marketing and Energy Affiliate that does not include specific information about individual third party transmission transactions or potential transmission arrangements.
- (7) Neither a Transmission Provider nor an employee of a Transmission Provider is permitted to use anyone as a conduit for sharing information covered by the

prohibitions of §§ 358.5(b)(1) and (2) with a marketing or Energy Affiliate. A Transmission Provider may share information covered by §§ 358.5(b)(1) and (2) with employees permitted to be shared under §§ 358.4(a)(4), (5) and (6) provided that such employees do not act as a conduit to share such information with any Marketing or Energy Affiliates.

- (8) A Transmission Provider is permitted to share information necessary to maintain the operations of the transmission system with its Energy Affiliates.

Compliance - The procedures discussed above, in the compliance statement related to section 358.5(a), are designed to ensure that information is disseminated from NGO Transmission's Director of Operations in a manner that is non-discriminatory and does not afford a preference to affiliated entities over unaffiliated entities. As such, these procedures should significantly reduce the potential for prohibited disclosures. Nevertheless, if a prohibited disclosure is detected, a posting will be made on NGO Transmission's website as required by section 358.5(b)(3). NGO Transmission was granted a partial waiver that permits it to share information with NGO Cooperative.

(c) Implementing tariffs.

- (1) A Transmission Provider must 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.
- (2) 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 non-discriminatory manner, if these tariff provisions permit the use of discretion.
- (3) A Transmission Provider must process all similar requests for transmission in the same manner and within the same period of time.
- (4) The Transmission Provider must maintain a written log, available for Commission audit, detailing the circumstances and manner in which it exercised its discretion under any terms of the tariff. The information contained in this log is to be posted on the OASIS or Internet website within 24 hours of when a Transmission Provider exercises its discretion under any terms of the tariff.
- (5) The Transmission Provider may not, through its tariffs or otherwise, give preference to its Marketing or Energy Affiliate, over any other wholesale customer 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).

Compliance - As explained throughout these procedures, a Director of Operations has been appointed to oversee NGO Transmission's operations. A central reason for creating this new

position was to ensure that NGO Transmission's tariff is implemented and enforced in a non-discriminatory manner and without preference for affiliated customers. The Director of Operations has been advised of the specific requirements of this section 358.5(c).

(d) Discounts.

Any offer of a discount for any transmission service made by the Transmission Provider must be posted on the OASIS or Internet website contemporaneous with the time that the offer is contractually binding. The posting must include: the name of the customer involved in the discount and whether it is an affiliate or whether an affiliate is involved in the transaction, the rate offered; the maximum rate; the time period for which the discount would apply; the quantity of power or gas scheduled to be moved; the delivery points under the transaction; and any conditions or requirements applicable to the discount. The posting must remain on the OASIS or Internet website for 60 days from the date of posting.

Compliance - All of NGO Transmission's firm transportation and storage capacity has been contracted to NGO Cooperative at maximum recourse rates stated in the tariff. Although the tariff permits shippers to request interruptible services at discounted rates, NGO Transmission generally awards interruptible capacity only when a maximum rate is bid. Nevertheless, NGO Transmission will post any discounts it may offer in the future as required by this section.