

ALCOA POWER GENERATING INC.

PROCEDURE FOR IMPLEMENTATION OF STANDARDS OF CONDUCT

This document describes the procedures Alcoa Power Generating Inc. (“APGI”) will use in implementing and maintaining the Standards of Conduct, attached as Appendix A. This document is designed to ensure that APGI's Marketing Function Employees (as defined in 18 C.F.R. § 358.3) will receive no advantage or information related to transmission functions that is not otherwise obtainable by any non-affiliates engaged in marketing functions. This document and the accompanying Standards of Conduct will protect the dissemination of information received by all wholesale merchants doing business with APGI. Further, it will ensure that such information is delivered within a comparable time period to all wholesale merchants, regardless of any APGI affiliation.

1. Definitions

The definitions contained in 18 C.F.R. § 358.3 shall apply to this Procedure. In addition, the following terms shall have these meanings:

- a. FERC: The Federal Energy Regulatory Commission.
- b. SCADA: Supervisory Control and Data Acquisition (the computer hardware, software, and communications equipment used by System Control for the dispatch of APGI's transmission and distribution system).
- c. SERC: Southeastern Electric Reliability Council.
- d. Transmission Function: The function used in this Procedure which provides for the planning, directing organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service request.

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- e. Marketing Function: The function used in this Procedure which provides for 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.

2. Description of Departments within APGI

- a. The APGI departments affected by the Standards of Conduct are:

(i) Transmission Administration; (ii) System Control; (iii) Wholesale Power Marketing; (iv) Transmission Planning; and (v) Pricing and Rate Design.

i. *Transmission Administration* is the department which administers APGI's Open Access Transmission Tariff ("OATT") and processes requests for transmission service. This function is a Transmission Function.

ii. *System Control* is the department which performs the system dispatch function using SCADA computer systems. System Control interfaces in performing the system operation and reliability function, including dispatch of APGI's transmission and distribution systems, as well as communication and dispatch of APGI generating stations. This department performs some functions which are considered Transmission Functions.

iii. *Wholesale Power Marketing* is the department which performs APGI's Marketing Function.

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- iv. *Transmission Planning* is the department which provides the transmission and distribution planning functions for APGI and for the calculation of Available Transmission Capacity (“ATC”) for APGI. This function is considered a Transmission Function.
- v. *Pricing and Rate Design* is the department which prepares and designs rates and schedules for APGI. This includes a development of the rates for Transmission Tariffs, which is considered a Transmission Function.

3. Separation of Functions

- a. In order to protect the proprietary nature of information in accordance with the Standards of Conduct, APGI established a Marketing Function work area for its Wholesale Power Marketing department which is physically segregated from the Transmission Functions. The Wholesale Power Marketing department [will use / uses] separate fax machine and computer printout facilities in order to maintain the integrity of proprietary data, which otherwise might be subject to being compromised by sharing communications resources with the Transmission Function.
- b. For both security reasons and to protect the proprietary nature of information, System Control’s computer room and control room have restricted access. Each area [will be / is] locked and accessible only by key. Entrance [will be / is] restricted to individuals whose functional duties require access to the facilities.

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Individuals employed by the Marketing Function will not be allowed access to these locations.

4. Implementation of Standards of Conduct

- a. All APGI employees working in the departments described in Section 2 will be required to read a copy of the “Standards of Conduct” which is attached as Appendix A.
- b. APGI employees covered by the Standards of Conduct will receive annual training reinforcing the requirements of the Standards of Conduct.
- c. Employees of APGI can transfer between the Marketing Function and the Transmission Function, but any such transfers will be posted on APGI's OASIS in accordance with the Standards of Conduct. Any such transferred employee must be sure to comply with the FERC's No Conduit Rule.
- d. System Control will provide the Marketing Function only the operational data to which it is entitled by nature of its involvement in providing energy from generating stations operated by APGI, or in generating units in which APGI has an ownership or contractual interest (provided that such data does not include information about an individual customer's transmission transactions or potential transmission arrangements). Such data is not considered Transmission Function information, but is generation data pertinent to the Wholesale Power Marketing area. No data considered to be Transmission Function information will be

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provided to the Marketing Function, except such data already posted on its OASIS or that is also available to the general public.

- e. No employee of APGI engaged in Transmission Functions shall provide any information to any Marketing Function Employee, if such information has been received from a non-affiliated APGI customer.
- f. No employee of APGI shall make any statement suggesting that:
 - i. a person or company doing business with APGI will receive preferential treatment with regard to the purchase or sale of electric energy from or to an affiliate of APGI; or
 - ii. a person or company doing business with an affiliate of APGI will receive preferential treatment with regard to the purchase or sale of transmission service or electric energy from or to APGI.
- g. The company will designate someone to be responsible for monitoring postings required under the Standards of Conduct and updating such postings within seven (7) days of any changes.

5. Information Access

- a. Company employees are linked electronically via a Local Area Network ("LAN"). To address the need for separate computer systems, APGI developed a "firewall" approach to the system LAN and specific programs and databases. The Marketing Function Employees of APGI will not have access to any shared drives or other shared computer resources on the APGI computer network that contain

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Transmission Function information. Access to such drives is restricted via group accounts specifying the permitted access users.

- b. Access to transmission dedicated computers and all other Transmission Function computers will be restricted by password and accessible only to employees of the Transmission Function.
- c. System Control's SCADA computer systems are stand alone computer facilities located in a locked area. Data collection and storage performed on these computers is inaccessible via the LAN.

6. Transmission Requests

- a. APGI employees engaged in Marketing Functions requesting transmission services from APGI will be treated on the same basis as any unaffiliated marketer.
- b. The Transmission Function of APGI will process and provide transmission services, as called for under APGI's OATTs, to the Marketing Function on a non-discriminatory basis.
- c. Any breach of the principles required under the APGI Standards of Conduct or the principles of this Procedure will be made public immediately by posting on APGI's OASIS any information that was impermissibly disclosed.

7. Merger Partners

- a. APGI has had no merger partners as affiliates, and none are anticipated at this time.

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APPENDIX A

ALCOA POWER GENERATING INC. STANDARDS OF CONDUCT

The following describes the standards established by Alcoa Power Generating Inc. (“APGI”) governing the interaction between APGI’s Marketing Function Employees and the Transmission Function Employees of APGI (transmission system operations and reliability functions).

APGI will conduct its business to conform to the following standards:

1. Definitions

The definitions contained in 18 C.F.R. § 358.3 shall apply to these Standards of Conduct.

In addition, this term shall have the following meaning:

1.1 Commission: The Federal Energy Regulatory Commission.

2. General Rules

2.1 APGI 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 transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

2.2 APGI’s Transmission Function Employees must function independently from its Marketing Function Employees.

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2.3 APGI and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function information to APGI's Marketing Function Employees.

2.4 APGI must provide equal access to non-public Transmission Function information disclosed to Marketing Function Employees to all its transmission customers, affiliated and non-affiliated.

3. Rules Governing Employee Conduct

3.1 Non-Discrimination Requirements: APGI 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.

3.1.1 APGI 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.

3.1.2 APGI 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).

3.2 Independent Functioning Rule: APGI's Transmission Function Employees must function independently from its Marketing Function Employees. APGI is prohibited from permitting its Marketing Function Employees from:

- (i) conducting transmission system operations or reliability functions; and

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- (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.

Likewise, APGI's Transmission Function Employees are prohibited from engaging in Marketing Functions.

APGI will ensure that any Marketing Function Employee: (i) will only have access to that information available to APGI's Transmission Customers (*i.e.*, the information posted on its OASIS), and must not have access to any information about APGI's transmission system that is not available to all users of its OASIS; and (ii) is prohibited from obtaining information about APGI's transmission system (including information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans, and the like) through access to information not posted on its OASIS or that is not otherwise also available to the general public without restriction.

3.3 No Conduit Rule: APGI is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its Marketing Function Employees. More specifically, an employee, contractor, consultant or agent of APGI, and an employee, contractor, consultant or agent of an affiliate of APGI that is engaged in Marketing Functions, is prohibited from disclosing non-public Transmission Function information to any of APGI's Marketing Function Employees.

3.4 Transparency Rules:

3.4.1 If APGI discloses non-public Transmission Function information in a manner contrary to the requirements of these Standards of Conduct, APGI

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must immediately post the information that was improperly disclosed on its Internet Web site. If the information disclosed was non-public transmission customer information, critical energy infrastructure information or any other information that the Commission by law has determined is to be subject to limited dissemination, APGI must immediately post notice on its Web site that the information was disclosed.

3.4.2 APGI's Transmission Function Employee may discuss with its Marketing Function Employee a specific request for transmission service submitted by the Marketing Function Employee and is not required to contemporaneously disclose information otherwise covered by the Standards if the information relates solely to a Marketing Function Employee's specific request for transmission service.

3.4.3 A transmission customer may voluntarily consent, in writing, to allow APGI to disclose the transmission customer's non-public information to APGI's Marketing Function Employees. If a transmission customer authorizes APGI to do so, APGI must post notice on its Internet Web site 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.

3.4.4 APGI must post on its Internet Web site current written procedures implementing the standards of conduct.

3.4.5 APGI will post on its website the following information

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- The names and addresses of all of its affiliates that employ or retain Marketing Function Employees;
- A complete list of the employee staffed facilities shared by any of its Transmission Function Employees and Marketing Function Employees, specifying the types of facilities shared and the addresses of the facilities;
- Information concerning potential merger partners as affiliates that may employ or retain Marketing Function Employees, within 7 business days after the potential merger is announced; and
- The job titles and job descriptions of its Transmission Function Employees.
- 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, as discussed below.

APGI must update its Internet Web site within seven business days of any change, and post the date on which the information was updated.

3.4.6 *Transfers:* APGI's Transmission Function and Marketing Function Employees are not precluded from transferring among such functions as long as such transfer is not used as a means to circumvent these Standards of Conduct. Notices of any employee transfers between a Transmission Function, and a Marketing Function will be posted on its OASIS as provided in Section 37.6(g)(3). The information to be posted will include: the name of the transferring employee, the respective titles held while performing each function (*i.e.*, on behalf of APGI, or an affiliate engaged in Marketing Functions), and the effective date of the transfer. The information posted under this section will remain on its OASIS for 90 days.

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3.4.7 APGI's Transmission Function Employees and Marketing Function

Employees may exchange the following non-public transmission function information:

- (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.

If such information is disclosed, APGI 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. APGI 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.

3.4.8 APGI must post on its Internet Web site 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.

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4. Rules Governing APGI's Operations

4.1 APGI must provide annual training on the standards of conduct to all of its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information. APGI must provide training on the standards of conduct to new employees in the categories listed above within the first 30 days of their employment. APGI requires each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

4.2 Books and Records: APGI will maintain its books of account and records (as prescribed under 18 C.F.R. Parts 101 and 125) separately from those of its affiliates that that employ or retain Marketing Function Employees, and these will be available for Commission inspection.

4.3 Maintenance of Written Procedures:

- (i) APGI will post on the OASIS its current written procedures implementing these Standards of Conduct in such detail as will enable customers and the Commission to determine that APGI is in compliance with these Standards of Conduct.
- (ii) APGI will distribute the written procedures to all to all of its Transmission Function Employees, Marketing Function Employees, officers, directors,

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supervisory employees, and any other employees likely to become privy to transmission function information.

(iii) 4.5 APGI has designated a Chief Compliance Officer responsible for Standards of Conduct compliance. APGI will post the name and contact information on its Internet Web site.