

Otter Tail Power Company

FERC Standards of Conduct Implementation Plan

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Revision History

Revision Number	Reason for/Description of Revision	Reviewed by (date)	Effective Date of Revision
Rev. 1.0	Add comprehensive policy and guidelines		November 1, 2009
Rev. 2.0	Removed "Internal Market Surveillance Practices" section; updated Department names and positions	B. Gerhardson and M. Olsen (6-3-2015)	January 1, 2015
Rev. 2.1	Added cover sheet, revision table, table of contents, and minor spacing and formatting	M. Olsen (1-25-2016)	January 1, 2016
Rev. 2.2	Replaced Tom Brause with Bruce Gerhardson	B. Jacobs (1-7-2019)	January 1, 2019



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Introduction:

This document ("FERC Standards of Conduct Implementation Plan" or "Implementation Plan") summarizes Otter Tail's compliance with the Federal Energy Regulatory Commission's ("FERC") Standards of Conduct for Transmission Providers under FERC Order No. 717. This Implementation Plan functions as an employee reference guide and reflects Otter Tail's commitment to compliance with the FERC Standards of Conduct.

The plan outlined in this document is applicable to all Otter Tail employees and contractors subject to the FERC Standards of Conduct, including those employees classified as Transmission Function Employees and Marketing Function Employees. Additionally, employees and contractors that are not classified as a Marketing Function Employee or Transmission Function Employee are subject to the No Conduit Rule outlined in the FERC's Standards of Conduct, which prohibits all employees from transmitting non-public transmission information to a Marketing Function Employee. Finally, all employees and contractors are subject to the Non-Discrimination requirements of the Standards of Conduct.

Reading this Implementation Plan is not a substitute for training of designated employees who are required to complete the Standards of Conduct training.

Background:

In 1996, The United States Federal Energy Regulatory Commission ("FERC") issued an order, commonly known as Order 888¹, which required that all investor-owned utilities in the United States allow third parties to use their transmission systems to buy and sell energy pursuant to a form of agreement called an open access transmission tariff. The FERC's objective was to eliminate existing anti-competitive practices by establishing a non-discriminatory system in which all participants would be required to utilize a standardized agreement.

A companion order, known as Order 889², required public utilities adopt a set of rules, called standards of conduct, separating transmission and merchant functions. These rules are intended to foster competition in electricity and gas markets by restricting the ability of electric transmission or a gas transportation company to grant undue preferences to its own marketing and sales functions, or to those of its affiliates.

¹ Order No. 888 is entitled *Promoting Wholesale Competition through Open Access Non-discriminatory Transmission Services by Public Utilities*.

² Order No. 889 is entitled *Open Access Same-time Information System and Standards of Conduct*.



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On December 23, 1996, Otter Tail filed with FERC an application for full waiver of the Open-Access Same-Time Information System ("OASIS") and Standards of Conduct requirements of Order No. 889. Otter Tail stated in its application that it qualified for a waiver because it met the Small Business Administration's definition of a small electric utility. The Commission granted Otter Tail's request for waiver on May 29, 1997.

In 2008, FERC issued Order No. 717³ making substantial amendments to the standards of conduct. The Order clarified and simplified standards of conduct compliance. The Order prohibits the passing of non-public transmission information from a power company's transmission business unit to those who sell or support the sale of wholesale energy in the same company.

On July 13, 2009, Otter Tail determined that it no longer qualified for a waiver of the Standards of Conduct and requested the Commission grant Otter Tail until November 1, 2009 to comply.

While Otter Tail has transferred functional control of its transmission to Midcontinent Independent System Operator, Inc. ("MISO"), Otter Tail operates and controls its transmission system and has access to Transmission Function information. Therefore, Otter Tail must comply with the FERC Standards of Conduct.

Statement of Policy:

It is the policy of Otter Tail Power Company to fully comply with the Federal Energy Regulatory Commission's ("FERC") Standards of Conduct for Transmission Providers ("Standards of Conduct")⁴. The Standards of Conduct include the following four fundamental principles:

- **Non-discrimination.** Otter Tail shall treat all affiliated and non-affiliated transmission customers on a not-unduly discriminatory basis and shall not make or grant any undue preference or advantage to any person or subject any person to undue prejudice or disadvantage with respect to the transmission of electric energy or the wholesale sale of electric energy.
- **Independent Functioning.** Transmission Function Employees and Marketing Function Employees are required to function separately.

³ Order No.717 is entitled *Standards of Conduct for Transmission Providers*.

⁴ The Standards of Conduct are contained in 18 C.F.R. § 358.



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- **No Conduit of transmission information.** Otter Tail's employees, contractors, consultants, and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function Information to Otter Tail Marketing Function Employees.
- **Equal access to non-public transmission information.** Otter Tail employees shall provide equal access to non-public Transmission Function Information that is disclosed to Marketing Function Employees to all customers.

In furtherance of these objectives, FERC has promulgated rules that govern the interaction and communication between certain employees, contractors, consultants and agents (collectively referred to in these procedures as "employees") of Otter Tail and with regard to certain information.

Chief Compliance Officer and Compliance Team:

Bruce Gerhardson , Vice President Regulatory Affairs is Otter Tail's Chief Compliance Officer for the Standards of Conduct. Kris Dahl, Associate General Counsel and Matthew Olsen, Manager Regulatory Proceedings & Compliance assist the Chief Compliance Officer with implementing and enforcing the Standards of Conduct. Collectively, these individuals are referred to as the Standards of Conduct Compliance Team. Policies, procedures and training materials cannot cover all situations that may occur. Questions and concerns about interpretations or application of the Standards of Conduct policy and procedure should be directed to a member of the Compliance Team.

COMPLIANCE TEAM

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Definitions:

- a) **"Affiliate"** of a specified entity means 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. "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 Otter Tail posts, by electronic means, among other things, the information required to be posted under these Standards of Conduct, <https://www.otpc.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/>.
- c) **"Marketing Function"** means the sale for resale, or the submission of offers to sell, 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.
- d) **"Marketing Function Employee"** means an employee, contractor, consultant or agent of Otter Tail or of an Affiliate of Otter Tail who actively and personally engages on a day-to-day basis in the Marketing Function. Otter Tail's electric Marketing Function is comprised of certain employees within the Power Services Department.
- e) **"Open Access Same-time Information System" (OASIS)** refers to a computerized information system, developed as an Internet application, that allows Otter Tail to post, by electronic means, information relating to its these Standards of Conduct. That website is <http://www.oasis.oati.com/OTP/index.html>.
- f) **"Transmission"** means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with transmission facilities. Otter Tail has transferred functional control of its transmission system to MISO. MISO, as Otter Tail's Transmission Provider, administers all transmission services under the MISO Open Access Transmission, Energy, and Operating Reserves Markets Tariff (Tariff), including the interconnection of facilities and granting and denying transmission service on Otter Tail's transmission system. Otter Tail does not own, operate, or control an interstate natural gas pipeline.



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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 Function”** means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of Transmission Service requests. Otter Tail’s day-to-day transmission functions are carried out by employees of Otter Tail’s System Operations Department. For Standards of Conduct purposes, Transmission Functions do not include performing system impact studies, facilities studies, and transmission planning, with the exception that Transmission Functions do include system impact studies to determine whether a transmission system can support a Transmission Service request, regardless of the duration of the Transmission Service that has been requested.

i) **“Transmission Function Employee”** means an employee, contractor, consultant or agent of Otter Tail who actively and personally engages on a day-to-day basis in the Transmission Function, including: Manager, System Operations; Supervisor, Power System Operations; Power System Operator; Operations Coordinator; Training Supervisor, System Operations; Principal Engineer Operations; and Operations Engineer.

j) **“Transmission Function Information”** means information relating to the Transmission Function, including non-public information such as:

- i) Transmission system information, including historic data;
- ii) System status, including line loading, equipment status, scheduled outages, curtailments, schedules and loading alarms, including historic data; and
- iii) Transmission management and operating procedures.

Transmission Function Information does not include information that does not pertain to day-to-day transmissions, such as:

- i) Information about transmission construction; and
- ii) Information about long-term transmission planning.

k) **“Transmission Provider”** means the any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce. Otter Tail is a public utility under the terms of the Federal Power Act (16 U.S.C. 824, *et seq.*) and is subject to the jurisdiction of the FERC.



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l) **"Transmission Service"** means the provision of any transmission as defined in 18 C.F.R. Section 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.

Non-discrimination requirements:

It is the responsibility of all Otter Tail employees and Otter Tail's contractors, consultants and agents to comply with the Standards of Conduct. Otter Tail shall treat all affiliated and non-affiliated transmission customers on a not-unduly discriminatory basis and shall not make or grant any undue preference or advantage to any person or subject any person to undue prejudice or disadvantage with respect to the transmission of electric energy or the wholesale sale of electric energy.

No Otter Tail employee may provide any undue preference to any person in matters relating to the sale or purchase of transmission service. This requirement applies to all matters relating to transmission service, including but not limited to the provision of non-public Transmission Function Information to any person, regardless of whether that person is a Marketing Function Employee to whom the No Conduit Rule applies.

Implementation of the Independent Functioning Rule:

Shared Facilities. As defined by Section 358.7(e)(2), Otter Tail's High-Tech Building at 224 East Washington Avenue, Fergus Falls, Minnesota, constitutes the only "shared facility" between the Transmission Provider and the Marketing Function Employees. Except in emergency circumstances affecting system reliability, Otter Tail's Transmission Function Employees are physically separated from its Marketing Function Employees by locked doors with card key access.

No Marketing Function Employees may have access to System Operations or the Control Center. All transmission control centers are secure and accessible by card-keys issued only to authorized personnel. Marketing Function Employees shall not have access to the system control centers or similar facilities used for transmission operation or reliability functions that differ in any way from the access available to other transmission customers.

Access to the System Operations Control Center is secured by an electronic lock and authentication device. Authorization requests for access must be approved by the Manager,



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System Operations or designated alternate(s). Employees granted unescorted access must also meet the appropriate personnel risk assessment, training, and security awareness requirements. Such access shall be end-dated as appropriate and access credentials shall be assigned and issued as needed. On occasion, personnel or third-parties that are not authorized for unescorted access may need temporary access. These personnel or third-parties are to be accompanied by a person with authorization. Computerized logging of physical access records information that identifies all individuals entering the Control Center twenty-four hours a day, seven days a week. A log-in-book or sign-in sheet may be used as an alternate to the computerized log.

Otter Tail's Information Technology (IT) Department has erected and maintains appropriate password requirements, firewalls, and other security measures for all Transmission Provider's information systems and conducts periodic reviews to ensure the integrity of such systems.

Information Access and No Conduit Rule:

Except as provided in Section 358.7(b), (c) and (h), Otter Tail employees, contractors, consultants and agents may not disclose non-public Transmission Function Information to any of Otter Tail's Marketing Function Employees and may not use any person as a conduit for disclosing such information to Otter Tail's Marketing Function Employees.

The no conduit rule applies to all employees of Otter Tail, whether or not they engage in Transmission Functions or Marketing Functions. Non-marketing function employees of Otter Tail who may become privy to non-public Transmission Function information are prohibited from directly or indirectly disclosing such information to a Marketing Function Employee. This applies to all forms of communication, i.e. phone, emails, fax, in-person, etc., whether during business or non-business hours.

Otter Tail's Marketing Function Employees shall rely on the MISO, public internet, OASIS or other means available to the general public to obtain information regarding non-public Transmission Function Information unless otherwise authorized by the Standards of Conduct rules.

If an employee with the Transmission Function Information is unsure whether the information is in fact Transmission Function Information or whether the requestor is entitled to receive such information, the employee will consult with his or her supervisor or the Compliance Team.



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If a Transmission Function Employee, either *intentionally* or *unintentionally*, discloses Transmission Function Information to a Marketing Function Employee, the Transmission Function Employee must immediately contact his or her supervisor or the Compliance Team and state what Transmission Function Information was disclosed.

If a Transmission Function Employee *intentionally* discloses Transmission Function Information to a Marketing Function Employee, the Transmission Function Employee may be subject to disciplinary action (see *Violations & Reporting* below).

Exceptions for system operations. In the event of emergency operating conditions potentially affecting the transmission system, the Chief Compliance Officer will be consulted and may authorize Transmission Function Employees and Marketing Function Employees to exchange non-public transmission information that (1) is related to compliance with reliability standards, (2) is necessary to maintain or restore operation of the transmission system or generating units, or (3) may affect generating dispatch.

The Chief Compliance Officer or member of the Compliance Team must be notified of such exchange, in advance, if at all possible and within twenty-four hours if contemporaneous. The exchange must be recorded by contemporaneous hand-written notes, e-mails, recorded telephone lines or similar means and retained for five years. The Manager of System Operations has been designated as the Otter Tail individual responsible for administering the recording policy, ensuring the recordings or log, and retaining the record for five years as specified in section 358.7(h).

Transparency Rule:

Contemporaneous disclosure. If any information must be posted under Section 358.7, once notified, the Manager, Regulatory Proceedings & Compliance shall ensure that the information is posted on Otter Tail's internet website at <https://www.otpc.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/> and shall notify the Compliance Team of the posting as soon as practicable. If an Otter Tail employee, contractor, consultant or agent discloses or obtains knowledge of a disclosure or alleged disclosure of non-public Transmission Function Information contrary to the Standards of Conduct rules and Otter Tail's policy and procedures, he or she shall immediately notify a member of the Compliance Team. The Chief Compliance Officer shall conduct, or cause the conduct of, an investigation regarding the alleged disclosure and take the appropriate actions in response to his or her findings, including posting disclosed information on Otter Tail's Internet website if appropriate.



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Exclusion for specific transaction information. Otter Tail's Transmission Function Employees may discuss with its Marketing Function Employees a specific request for transmission service submitted by the Marketing Function Employee. Any non-public Transmission Function Information that is disclosed to the Marketing Function Employee pursuant to this exception need not be posted on Otter Tail's Internet website.

Voluntary consent provision. Otter Tail is a transmission-owning member of the MISO and has transferred functional control of its transmission system to the MISO. The MISO, as Otter Tail's Transmission Provider, offers transmission service, including interconnection of facilities and granting and denying of transmission service over Otter Tail's transmission system, under the terms of the MISO Tariff. Otter Tail cannot provide any operational or rate-related preferences with respect to transmission service provided by the MISO under its Tariff. A transmission customer may authorize disclosure of non-public customer-specific information to an Otter Tail Marketing Function Employee. Such authorization, together with a statement by Otter Tail that it did not provide any operational or rate-related preference in exchange for that authorization, shall be posted on Otter Tail's internet website at <https://www.otpco.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/>.

Posting written procedures on the public Internet. A copy of this Standards of Conduct Implementation Plan is posted on the Otter Tail Internet web site at <https://www.otpco.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/>.

Affiliate information. Otter Tail's Manager of Regulatory Proceedings & Compliance posts and maintains on the Otter Tail website, <https://www.otpco.com/media/1176/affiliateinformation.pdf>.

Employee information. To enhance compliance, the Human Resource Department shall notify the Compliance Team of any change in the Marketing Function Employees within three business days of any such change. The Manager, Regulatory Proceedings & Compliance, shall update the required Standards of Conduct information on the Company website and OASIS. The Manager of Human Resources, the Manager of Power Services, the Manager of System Operations, and the Compliance Team shall review the list not less than annually and shall consult with each other concerning required changes to the list.

Information regarding Transmission Function Employee job titles and job descriptions is posted on Otter Tail's website under the Standards of Conduct link. When employees of Otter Tail transfer from an Otter Tail Marketing Function to an Otter Tail Transmission Function position



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or vice versa, the following information shall be posted on Otter Tail's website within seven days of the effective date of the transfer:



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- The name of the transferring employee.
- The respective titles held while performing each function.
- The effective date of the transfer.

No such employee transfer will be used as a means to circumvent any provision of the Standards of Conduct.

Internet website posting requirements:

All information required by these parts can be found on Otter Tail Power Company's website <https://www.otpc.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/>. All Standards of Conduct postings will be maintained (posted) for a minimum of ninety days. Emergency suspension of the posting requirements must be approved by the Chief Compliance Officer. The Chief Compliance Officer is responsible for notifying the FERC if it is anticipated that the suspension will exceed one month.

Waivers. As a transmission-owning member of MISO, Otter Tail does not anticipate a posting related to a waiver of the transmission service tariff. Any waiver that Otter Tail grants will be posted on its website <https://www.otpc.com/help-center/how-to-connect-to-our-power-grid/ferc-standards-of-conduct/> will be made within one business day of the act of a waiver; and a log of the acts of waiver will be maintained and made available to the Commission upon request. The records will be kept for a period of five years from the date of each act of waiver.

Implementation requirements. Otter Tail will implement these policies and procedures as of November 1, 2009.

Otter Tail has implemented measures to ensure the requirements of Sections 358.5 (the Independent Functioning Rule) and 358.6 (the No Conduit Rule) are observed by the employees, contractors, consultants and agents of Otter Tail and any affiliates. The Manager, Regulatory Proceedings & Compliance shall distribute a copy of the current version of this Implementation Plan to each person specified in Section 358.8(b)(2) not less than once each year. Such distribution may occur in person or by e-mail.

Training. Otter Tail shall conduct training on the Standards of Conduct for all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees,



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and any other employee likely to become privy to Transmission Function Information not less than once each calendar year.

Otter Tail contractors, agents and consultants that may be privy to Transmission Function Information are also required to complete the training.

The Manager, Regulatory Proceedings & Compliance, shall review the information about the new and transferred employees and determine which employees must receive Standards of Conduct training. The Manager, Human Resources shall ensure that any required Standards of Conduct training for new or transferred employees is completed no later than thirty days after the commencement of employment or the effective date of the transfer.

Each person who has received training will be required to certify that he or she has taken the training. The Manager, Regulatory Proceedings & Compliance shall maintain a list of all persons who have received training and shall review the list periodically to ensure that all required training has been completed.

The substance of the Standards of Conduct shall be communicated annually to all Otter Tail employees through a company-wide publication.

Books and records. Otter Tail maintains its books and records as required by FERC rules and regulations and will make them available for Commission inspections.

Violations & Reporting:

Any suspected violation of the Standards of Conduct will be fully investigated. If you violate the Standards of Conduct you may be subject to disciplinary action, up to and including termination, depending upon the circumstances of the violation. You are expected to report suspected or potential violations of the FERC Standards of Conduct. Prompt action by you will allow us to take any and all necessary corrective actions. If you are aware of a suspected or potential violation of the Standards of Conduct you can confidentially report it to any member of the Compliance Team. Alternatively, you can report it to your supervisor, a company officer, or Otter Tail's Human Resources Manager. If you are uncomfortable contacting a Compliance Team member, your supervisor, a company officer, or Human Resources, you may call the Otter Tail Corporation Ethics Alertline at (877) 231-0884. You may call this toll free service 24 hours a day, 7 days a week, to report information about a possible violation of the Standards of Conduct. A trained specialist who is employed outside Otter Tail answers the Alertline and



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callers may remain anonymous if they wish. Information reported to the Alertline will be fully investigated and corrective action will be taken as necessary.

No employee will be discharged, threatened or otherwise discriminated against, or retaliated against, because the employee, or a person acting on behalf of the employee, makes a good-faith disclosure concerning any actual or potential violation of the FERC Standards of Conduct.

Any employee who is found to have willfully violated a Standard of Conduct and/or knowingly failed to report a violation will be subject to discipline, which could include discharge from employment for serious or repeated violations.

Questions or concerns. Employees should direct any questions and report any concerns to their supervisor or Otter Tail's Compliance Manager, Matthew Olsen at 218-739-8657 or molsen@otpc.com.