

New rules to work by: *Electric Utility Standards of Conduct*

As of Feb. 1, 1999, all Western employees are expected to comply with a new set of operating rules. That's the date Western's new Standards of Conduct become effective. The standards are part of Western's intent to comply with the requirements of the Federal Energy Regulatory Commission. The new operating rules require that transmission operations and reliability employees can no longer freely discuss information on transmission price and availability with others.

They must also refrain from buying and selling power, except in connection with supplying ancillary services to transmission customers.

Power marketing—or merchant—employees have restricted access to transmission information from Western people, places, documents, computer systems or system control databases including information about transmission pricing, availability, curtailments or ancillary services.

the tool to be used to share transmission price and availability information.

FERC does not have jurisdiction over Western. But because Western is a major transmission system owner and provides wholesale electricity across the West, we voluntarily chose to follow FERC's rules. Western is showing good faith by complying with the rules other wholesale power and transmission utilities must follow. Western wants to keep in step with the changes in the electric utility industry.

Utilities only have to extend reciprocal service to other utilities that have filed an open access tariff with FERC and implemented FERC's standards of compliance. By complying, Western will be able to obtain transmission service from public utilities when we request it.

What is an open access tariff and how is Western's open access tariff related to these new rules?

An open access tariff, or OAT, provides the terms and conditions for obtaining and providing transmission service. Western's Open Access Transmission Service Tariff, which applies across Western, became effective on Feb. 5, 1998. We are developing standards of conduct as part of implementing the tariff. Western gains access to other transmission system and gives others access to parts of our system not reserved to provide transmission for firm power and transmission sales through this tariff. Western transmission operations staff must strictly enforce all tariff provisions relating to selling transmission services. Where discretion is allowed, these employees must apply the tariff in a fair and impartial way and treat all transmission customers, including those from Western's power marketing staff, in a non-discriminatory manner. With the tariff in place, if there is a complaint about access to our transmission system, the burden of proof shifts to the party requesting access

Basic rule

If you have access to Western information on transmission availability or price, you cannot disclose it or discuss it with Western power marketing employees.

This nondisclosure rule applies to all Western employees outside power marketing—but especially to those who work in transmission operations and reliability.

Why are we doing this?

FERC issued Orders No. 888 and 889 to ensure fair and equal access to the interconnected electrical transmission system that criss-crosses the nation. These Orders apply to all public utilities that own, control or operate facilities used to transmit electricity in interstate commerce.

Under Order No. 888, public utilities under FERC jurisdiction (such as investor-owned utilities) must offer open and comparable access to their transmission systems. Order No. 889 requires separation of transmission functions from power marketing functions and restricts communications between power marketing and transmission operations employees within any one company. It also calls for developing Open Access Same-time Information Systems as

What does this mean to me?

It means transmission operations and reliability employees can no longer freely discuss information about transmission matters with others. They must also refrain from buying and selling power, except in connection with supplying ancillary services to Western's transmission customers. It also means power marketing—or merchant—employees have restricted access to Western people, places, documents, computer systems or system control databases where they could obtain protected transmission information. They must get information about Western's transmission system from an OASIS site.

Other employees who support both functions may have access to protected transmission information, but they cannot discuss such information with power marketing employees. Support employees work in a number of organizations including power billing, supervisory control and data acquisition, information systems, maintenance, environment, lands, legal and human resources.

Everyone who has information about current or future transmission system availability or pricing, is subject to the standards of conduct. No one can preferentially transmit

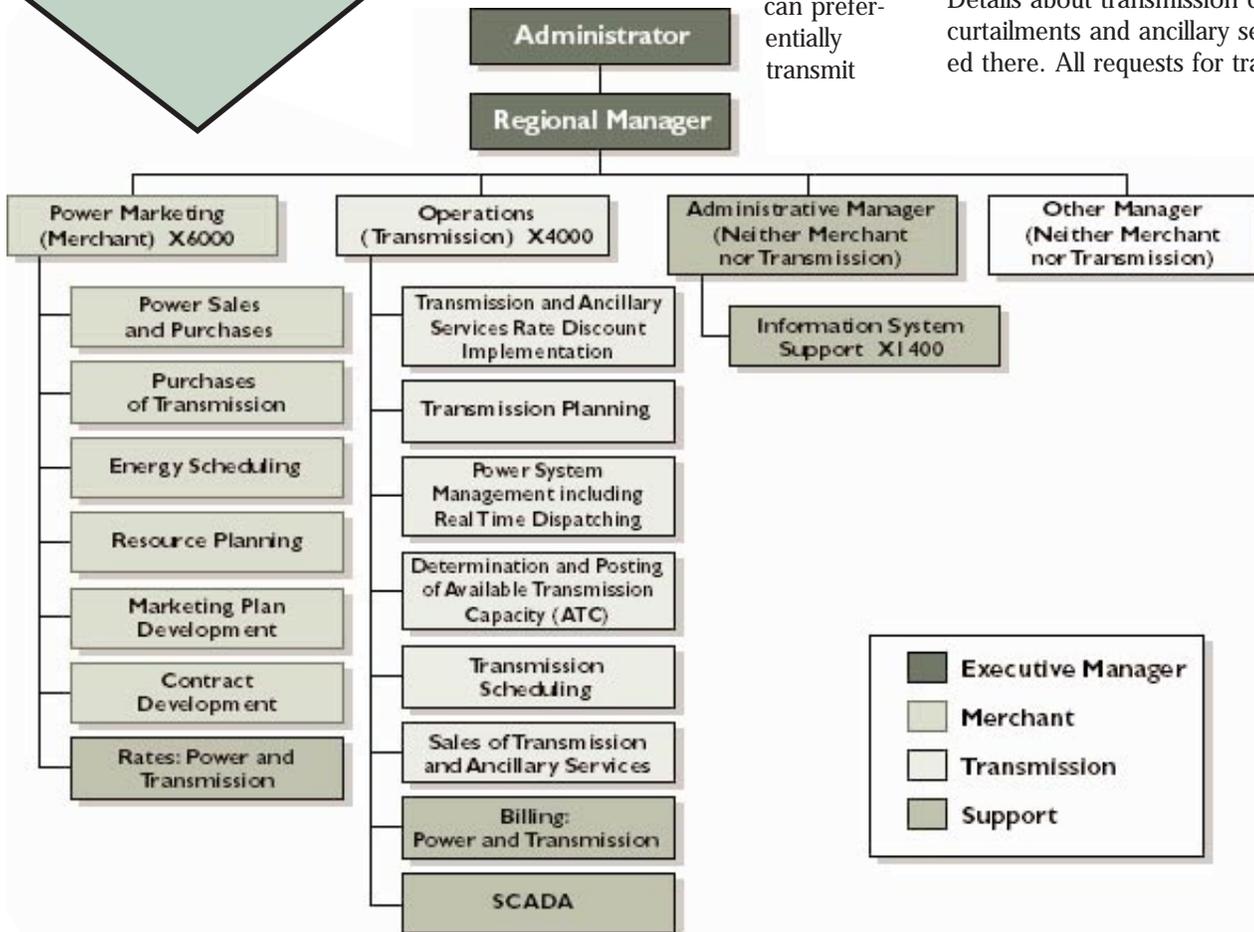
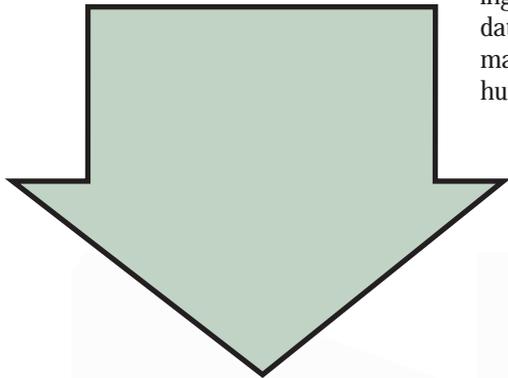
this information to power marketing employees. All Western employees must take precautions to prevent sharing protected information with power marketing employees.

What is an OASIS?

OASIS sites are Internet-based information sites used by utilities seeking transmission paths to deliver power to their customers. By making transmission information available only on an OASIS, everyone gets the same information at the same time—and no one gains an unfair competitive advantage by getting special access to information about transmission price or availability. Order No. 889 specifies that power marketing employees are only to have access to this information through an OASIS. Transmission or other employees are forbidden from discussing transmission information with power marketing employees.

What kind of information must be posted on an OASIS?

The OASIS is where organizations wanting to buy transmission services find out what's available and at what price. Details about transmission capacity, prices, curtailments and ancillary services are posted there. All requests for transmission



service must take place through an OASIS site. Other postings include:

- notice of emergencies affecting system reliability that have caused Western to deviate from its standards of conduct.
- notice of employee transfers between power marketing and transmission operations.
- logs detailing the circumstances and manner when Western exercised discretion under any terms of its tariff, including all offers for discounts on transmission or ancillary services.
- a copy of Western's Standards of Conduct.
- a copy of Western's Open Access Transmission Tariff.
- postings of transmission capacity available for sale.
- staffing information for Western regional offices and the CRSP Customer Service Center showing titles and position descriptions of employees involved in wholesale merchant, transmission system operations and reliability functions and their supervisors. This information outlines how Western separated its transmission and operations functions from its power marketing functions.
- Any restricted transmission information that Western's power marketing staff needs to do its work.

Which people and organizations are in the transmission system operations and reliability functions?

Transmission operations and reliability employees include those working in power system operations, dispatch and transmission system planning. Mail code x4xxx functions are designated as transmission operations and reliability functions. Power billing (x4200) and SCADA support (x4300) may support other functions as well. They, as well as all other Western employees, cannot disclose restricted transmission information to power marketing employees.

Which people and organizations are in the power marketing function?

Those who work in power marketing, resource planning, energy services, power contracts and energy management—are

power marketing employees. These employees have mail codes x6xxx. Rates employees (x6100) may also support transmission operations.

Who is a support employee?

Support employees serve both transmission and power marketing organizations. They do not make power marketing or transmission operations and reliability decisions or perform power marketing or transmission operations work.

If they obtain transmission price and availability information, they must guard it just as if they were a transmission operations or reliability employee. They cannot transmit that information to power marketing employees.

This applies equally to support employees who directly support our transmission system—such as line crews, maintenance engineers and Environmental and Lands staff—and to organizations that offer services across Western, such as Human Resources, Finance, Procurement and General Counsel.

What are the rules for Western managers?

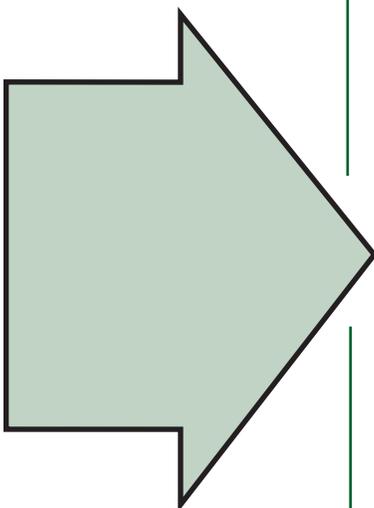
Western's regional and CRSP Customer Service Center managers provide general oversight of both the power marketing and transmission operations functions. They do not make day-to-day decisions in either function, but provide broad policy direction. They must take special care to not serve as a conduit for information transfer between transmission operations and power marketing.

Can an employee change jobs between power marketing and transmission operations?

Yes, employees can be transferred between these functions as long as the transfer isn't used to circumvent the Standards of Conduct. Notices of employee transfers to or from transmission reliability jobs must be posted on an OASIS.

How will work areas be separated?

Power marketing and transmission employees must be physically separated in some way. By Feb. 1, 1999, power marketing employees will have restricted physical access to transmission operations and reliability work areas and facilities.



In some Western offices, these employees will occupy different wings or different floors. Key cards, cypher locks and other security devices will be used to ensure Western power marketing employees have no more access to transmission work areas than other transmission customers. They will be escorted during any visits to dispatch centers.

Power marketing and transmission employees will have separate phone lines, fax lines, files and computer access. Computer access will be controlled by passwords and firewalls. Employees will find access limited to certain parts of Western buildings. Transmission files will not be accessible to non-transmission employees. Transmission information obtained by transmission operations staff from other customers or developed in the course of responding to requests for transmission or ancillary services will not be accessible to power marketing employees, except through OASIS postings.

Power marketing employee access to SCADA and EMS information will be limited to data about Federal generation availability, system voltage and frequency, billing and area control error information and their own energy schedules with a Western area control operator. They will not have access to specific transmission customer load information, but only to aggregated data, nor to tie line or other transmission information.

What happens in an emergency?

Standards of conduct prohibitions can be suspended if necessary during an emergency affecting system reliability to take whatever steps needed to keep the system operating. Transmission system information revealed to a transmission customer during system emergencies will be posted on an OASIS and reported to FERC within 24 hours.

What if I make a mistake?

Improperly disclosed information must be posted on an OASIS by transmission

employees immediately. The first thing to do if you find you have inadvertently shared transmission information with power marketing staff, is to notify your supervisor and your power systems operations manager (**Stan Mason**, UGP, **Ed Hulls**, RM, **Tim Calkins**, DSW, or **Fred LeBlanc**, SN), providing details about the information that was disclosed and the circumstances surrounding the incident.

What happens when someone violates the standards of conduct?

Western employees who violate these rules could be subject to disciplinary action. Violations will be handled on a case-by-case basis by the responsible manager. Penalties could range from a discussion reviewing the standards of conduct for inadvertent slips in disclosing or acquiring information about transmission availability to removal for willingly and intentionally violating Western's standards of conduct.

Will employees get any training on these new rules?

Yes, all employees will get training on the Standards of Conduct as part of our annual ethics training. Employees working in power marketing, transmission operations and some support functions that provide direct services to power marketing and transmission system operations will get additional training within the next couple of months as well.

Where can I get a copy of Western's Standards of Conduct and Open Access Transmission Service Tariff?

Western's Standards of Conduct and tariff are posted on the OASIS sites where we do business. These are at: www.western.wapa.gov/OASIS/, www.rmao.com/OASIS/WALM and <http://mapp.oasis.mapp.org/OASIS/WAPA>. Copies are also posted on Western's external web site.

Where can I get more information?

Visit Western's external web sites or call **Ed Chang**, Western's Standards of Conduct team lead, at 916-353-4474.

Compliance is mandatory. An employee's failure or refusal to abide by the standards may subject the employee to disciplinary action.