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**VERMONT ELECTRIC POWER COMPANY, INC  
AND VERMONT TRANSCO LLC**

**PROCEDURES AND PLAN FOR IMPLEMENTING  
FERC ORDER 717 STANDARDS OF CONDUCT**

**I. Introduction**

Vermont Electric Power Company, Inc. (VELCO) and Vermont Transco LLC (VTransco)(collectively, Companies) set forth below their procedures and plan (“Procedures”) for implementing the Federal Energy Regulatory Commission’s (the “Commission”) Order 717 relating to the Standards of Conduct for Transmission Providers. VELCO and Vermont Transco are Transmission Providers under Order 717.

**II. Description of VELCO and VTransco**

VELCO is a corporation organized and existing under the laws of the State of Vermont, with its principal place of business in Rutland, Vermont. VELCO’s headquarters is located at 366 Pinnacle Ridge Rd, Rutland, Vermont 05701.

VELCO was the nation’s first statewide transmission-only utility, organized in the late 1950s to develop an integrated high-voltage transmission system that would interconnect electric utilities throughout the State of Vermont and provide access to low-cost power from the St. Lawrence River Project in New York. Over the ensuing decades, VELCO expanded its facilities and service to meet the needs of the Vermont distribution utilities who were both customers and owners.

In 2006, Vermont Transco LLC (VTransco) was formed as a limited liability company for the purpose of acquiring and owning VELCO’s existing transmission assets and any new transmission facilities to be developed in Vermont. As described in the petition to FERC seeking authorization for the transfer of assets from VELCO to VTransco (Docket No. EC06-115-000), the transaction allowed VTransco to become the owner of Vermont’s transmission system. VELCO contributed almost all of the transmission facilities that it owned directly to VTransco in exchange for membership units in VTransco. In return, VELCO became the managing member of VTransco, operating the transmission assets under the terms of a management services



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agreement. Thereafter, the Vermont distribution utilities contributed cash in exchange for membership units, thereby creating an ownership structure that closely paralleled VELCO's.

The purpose of the transaction was to establish a more modern business entity that would be able to raise capital more effectively and efficiently. It also helped reduce rates to customers. Otherwise, the transaction was intended to be seamless for customers and regulators: i.e., the terms and conditions of services provided by VELCO and VTransco, taken together, would be the same as the terms and conditions of services provided by VELCO prior to the transaction. VTransco now provides service over such facilities pursuant to applicable tariffs, including Schedule 21-VTransco, accepted by and on file with the Commission, to all of the electric distribution utilities in Vermont and also to certain distribution utilities in New Hampshire.

VELCO does not own any generation assets; it is a "wires only" company. VELCO does not sell any retail electric energy to its customers. VELCO does not have an Energy Trading function, but it does have a power accounting department. This department is responsible for administration of the settlement contracts for a few of the distribution utilities. The power accounting department is involved in the settlement only portion of the markets. It does not provide market advice or transmission-related information to the Vermont distribution utilities. Therefore, VELCO's power accounting department is not a "marketing function," and does not include "marketing function employees," under Order No. 717.

VTransco is an electric transmission company operating under the laws of the State of Vermont. VTransco through its manager, VELCO, serves the distribution utilities and other eligible customers in the State of Vermont. The headquarters is located at 366 Pinnacle Ridge Rd, Rutland, Vermont 05701.

VTransco does not own any generation assets; it is a "wires only" company. VTransco does not sell any retail electric energy to its customers.<sup>1</sup> VTransco does not have any employees. VTransco's manager, VELCO, employs personnel that operate the transmission assets of

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<sup>1</sup> VTransco sells a portion of the output of Vermont Yankee, a nuclear power plant in Vernon, Vermont to certain of the Vermont electric distribution utilities. These are pass-through transactions in which, for administrative convenience, VTransco acts as an intermediary between Vermont Yankee and the ultimate wholesale customers. VTransco recovers from those customers only the amounts it pays to Vermont Yankee, with no mark-up, even for administrative expenses. VTransco has no role in deciding prices, schedules or any other term or condition of the sales in question.



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VTransco under the terms of a management services agreement between VTransco and VELCO. Therefore, VELCO has transmission function employees.

Central Vermont Public Service Corporation (CVPS), Green Mountain Power Corporation (GMP), and Vermont Public Power Supply Authority (VPPSA) are Vermont electric distribution utilities that each own more than 10% VTransco. Therefore, these Vermont electric distribution utilities are considered Affiliates of VTransco for purposes of the Order 717 Standards of Conduct. CVPS and GMP are Vermont electric distribution utilities that each own more than 10% of VELCO. Therefore, these Vermont electric distribution utilities are considered Affiliates of VELCO for purposes of the Order 717 Standards of Conduct. Accordingly, VELCO and VTransco apply the Standards of Conduct to these marketing function employees.<sup>2</sup>

### III. Order No. 717 Definitions

(a) **Affiliate** of a specified entity means:

- (1) 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.
- (2) For any exempt wholesale generator (as defined under Sec. 366.1 of this chapter), affiliate shall have the meaning set forth in Sec. 366.1 of this chapter, or any successor provision.
- (3) “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.

Central Vermont Public Service Corporation, Green Mountain Power Corporation, and Vermont Public Power Supply Authority are Vermont electric distribution utilities that each own more than 10% of VTransco. Therefore, they are Affiliates of VTransco.

CVPS and GMP are Vermont electric distribution utilities that each own more than 10% of VELCO. Therefore, they are Affiliates of VELCO.

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<sup>2</sup> Green Mountain Power Corporation has received an exemption from the Standards of Conduct. *Central New York Oil & Gas Co., LLC, et al.*, 109 FERC ¶ 61,231, (2004). However, that exemption does not apply to the relationship between Green Mountain Power Corporation on the one hand and VELCO and VTransco on the other hand.



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(b) **Internet web site(s)** refers to the Internet location where an interstate natural gas pipeline or a public utility posts the information, by electronic means, required under this part 358. For purposes of these Procedures, the Internet Web site refers to ISO New England OASIS internet web site, at <https://oasis.iso-ne.com/oasis/VTTR>, the VTransco internet web site, at <http://www.vermonttransco.com>, and the VELCO internet web site at <http://www.velco.com>.

(c) **Marketing functions** means:

- (1) in the case of public utilities and their affiliates, 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; and
- (2) in the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:
  - (i) Bundled retail sales,
  - (ii) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
  - (iii) Sales of natural gas solely from a seller's own production,
  - (iv) Sales of natural gas solely from a seller's own gathering or processing facilities, and
  - (v) Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.

(d) **Marketing function employee** means an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in marketing functions. VELCO and VTransco have no marketing function employees. VELCO and VTransco apply the Standards of Conduct to marketing function employees of their Affiliates, including Central Vermont Service Corporation, Green Mountain Power Corporation and Vermont Public Power Supply Authority.<sup>3</sup> The marketing function employees are located at the following addresses:

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<sup>3</sup> See footnote 2 herein.



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- Central Vermont Public Service (CVPS) 77 Grove Street, Rutland, Vermont
- Green Mountain Power (GMP) 163 Acorn Lane, Colchester, Vermont
- Vermont Public Power Supply Authority (VPPSA), 5195 Waterbury-Stowe Road, Waterbury Center, Vermont

(e) **Open Access Same Time Information System or OASIS** refers to the Internet location where a public utility posts the information required by part 37 of this chapter, and where it may also post the information required to be posted on its Internet Web site by this part 358.

(f) **Transmission** means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities, under part 35 of this chapter; and natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of this chapter.

(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 functions** means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

(i) **Transmission function employee** means an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions. VELCO has transmission function employees.

(j) **Transmission function information** means information relating to transmission functions.

(k) **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 subparts B or G of part 284 of this chapter.



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(3) A transmission provider does not include a natural gas storage provider authorized to charge market-based rates.

(l) **Transmission service** means the provision of any transmission as defined in Sec. 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.

#### **IV. Companies' Compliance with the Commission's Standards of Conduct**

The procedures and plan below describes the steps VTransco takes to implement and maintain compliance with the FERC Order 717 Standards of Conduct.

#### **V. Procedures and Plan for Implementing FERC Order 717**

##### **1. Written Procedures**

(a) **Posting Written procedures:** Companies shall post on the Internet Web site these current written procedures implementing the Standards of Conduct in such detail as will enable customers and the Commission to determine that they are in compliance with the Standards of Conduct requirements.

A transmission provider must distribute the written procedures to all its transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.

Implementation procedures: Companies have distributed these Procedures to the above-referenced employees and they have posted these Procedures on their Internet Web sites.

(b) **Identification of Employee Information on the Internet Web site:** A Transmission Provider must post on its Internet Web site the job titles and job descriptions of its Transmission Function Employees. A Transmission Provider must post a notice on its Internet Web site of 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. The information posted under this section must remain on its Internet Web site for 90 days. No such job transfer may be used as a means to circumvent any provision of this part. The information to be posted must include: (i) The name of the transferring employee; (ii) The respective titles held while performing each function (i.e., as a Transmission



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Function Employee and as a Marketing Function Employee); and (iii) The effective date of the transfer.

**Implementation procedures:** Companies have has posted this information on the Internet Web sites. The Companies' OASIS Security Officer is notified of new employees and employee transfers by the Human Resource Department, and is responsible for coordinating the required posting. Any transfers that are covered by this section of the Procedures must be reported to the Companies' OASIS Security Officer not less than seven business days prior to the effective date of the transfer. Records are maintained for a minimum of five years.

**(c) Identification of Affiliates on the Internet Web site:** A transmission provider must post on its Internet Web site the names and addresses of all its affiliates that employ or retain marketing function employees.

**Implementation procedures:** Companies have post on its Internet Web sites the names and addresses of its affiliates that employ or retain marketing function employees.

**(d) Shared Employee-staffed Facilities:** A transmission provider must post on its Internet Web site a complete list of the employee-staffed facilities shared by any of the transmission provider's transmission function employees and marketing function employees. The list must include the types of facilities shared and the addresses of the facilities.

**Implementation procedures:** Companies do not share any employee-staffed facilities with marketing function employees of its affiliates.

**(e) Training:** The Transmission Provider must provide annual training on the Standards of Conduct to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to Transmission Function Information. The Transmission Provider must provide training on the Standards of Conduct to new employees (who are Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees and any other employees likely to become privy to Transmission Function Information) within the first thirty (30) days of their employment. The Transmission Provider must require each employee who has taken the training to certify electronically or in writing that she/he has completed the training.

**Implementation procedures:** (1) Companies' shall provide training annually to all employees with access to Transmission information or information concerning electric purchases, sale or marketing functions. Companies shall train new employees (who are Transmission Function Employees, Marketing Function Employees, officers, supervisory employees, and any other employees likely to become privy to Transmission Function Information) within the first thirty (30) days of their employment. (2) All of the personnel listed above signed affidavits affirming



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that they will not be a conduit for sharing transmission or customer information with any marketing function employees. (3) Companies will maintain logs of employees that have participated in the training and copies of signed affidavits of the employees that have participated in the training.

**(f) Non-Discrimination Requirements:**

(i) Information access.

- (1) If a Transmission Provider discloses non-public Transmission Function Information, other than information identified in subparagraph (d)(2) below of this Section, in a manner contrary to the requirements of 18 C.F.R. § 358.6, the Transmission Provider must immediately post the information that was disclosed on its Internet Web site.
- (2) If a Transmission Provider discloses, in a manner contrary to the requirements of 18 C.F.R. § 358.6, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in 18 C.F.R. § 388.113(c)(1) of this chapter or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the Transmission Provider must immediately post notice on its Internet Web site that the information was disclosed.

Implementation procedures: In the event of a disclosure, Companies' employees have been instructed to report the matter immediately to their supervisor and the Chief Compliance Officer.

- (ii) Voluntary Consents. A Transmission Customer may voluntarily consent, in writing, to allow the Transmission Provider to disclose the Transmission Customer's non-public information to the Transmission Provider's Marketing Function Employees. If the Transmission Customer authorizes the Transmission Provider to disclose its information to Marketing Function Employees, the Transmission Provider 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.

Implementation procedures: The Transmission Function Employees must inform the Chief Compliance Officer of any request by a Transmission Customer to share information with a Marketing Function Employee not less than two business days before the information is to be shared. The Chief Compliance Officer shall ensure that the required information concerning the voluntary consent is posted prior to the time at which the information is shared.

- (iii) Exception for Specific Transactions. Transmission Function Employees may share with Marketing Function Employees information related solely to the Marketing Function's specific request for transmission service.



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Implementation procedures: All Transmission Customers, including Marketing Function Employees, may have exclusive access to information regarding the status of their own transactions. These status communications must present the same level of detail to any Transmission Customer presenting a similar request.

- (iv) Exceptions for System Operations. Transmission Function Employees may discuss with Marketing Function Employees non-public Transmission Function Information (i) pertaining to compliance with FERC-approved NERC Reliability Standards, (ii) to maintain or restore operation of the transmission system or generating units, or (iii) that may affect generator dispatch.

Implementation procedures: At this time, Companies do not have communications in which its Transmission Function Employees have a need to disclose non-public Transmission Function Information to Marketing Function Employees (i) pertaining to compliance with FERC-approved NERC Reliability Standards, (ii) to maintain or restore operation of the transmission system or generating units, or (iii) that may affect generator dispatch. To the extent that there is such a need in the future, Transmission Function Employees should contact their supervisors and the Chief Compliance Officer. A determination will be made regarding the requirements that will be implemented in the event of such communications. The separate written procedures require that records of any such communications be maintained for a five-year period.

- (v) Exceptions for System Emergencies. In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts a transmission provider's normal business operations, the posting requirements in this part may be suspended by the transmission provider. If the disruption lasts longer than one month, the transmission provider must so notify the Commission and may seek a further exemption from the posting requirements.

Implementation procedures: The Transmission Provider may suspend the posting requirements in the event of an emergency. The Chief Compliance Officer will make any necessary notifications to the Commission.

**(g) Non-Discriminatory Requirements**

- (i) The Transmission Provider 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.
- (ii) The 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 not unduly discriminatory manner, if the tariff provisions permit the use of discretion.



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- (iii) The Transmission Provider 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).
- (iv) The Transmission Provider must process all similar requests for transmission in the same manner and within the same period of time.
- (v) A transmission provider 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 period of five years from the date of each act of waiver.

Implementation Procedures: All tariff provisions are applied in a non-discriminatory manner, and if a tariff provision allows for discretion in its application, then the Transmission Provider will apply that tariff provision in the same manner to its Marketing Functioning Employees as it does to all other transmission service customers.

**(h) Independent Function Rule**

- (i) General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.
- (ii) Separation of functions.
  - (1) A transmission provider is prohibited from permitting its marketing function employees to: (i) Conduct transmission functions; or (ii) Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers.
  - (2) A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.

Implementation procedures: Companies conduct annual training concerning the independent functioning rules.

**(i) No Conduit Rule.**



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- (i) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to marketing function employees.
- (ii) An employee, contractor, consultant or agent of a transmission provider and an employee, contractor, consultant or agent of an affiliate transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission providers marketing function employees.

Implementation Procedures: Training materials explain the prohibition against a Transmission Provider from using anyone as conduit to inappropriately share information with any marketing function personnel.

#### **VI. Ensuring Ongoing Compliance**

A transmission provider must designate a chief compliance officer who will be responsible for standards of conduct compliance. The transmission provider must post the name of the chief compliance officer and provide his or her contact information on its Internet Web site. Companies' designated a Chief Compliance Officer who will: (1) Ensure that Companies are in compliance with the Standards of Conduct; and (2) Ensure that Standards of Conduct training for new and existing employees is carried out.

Implementation procedures: The Chief Compliance Officer is David Haas. The Chief Compliance Officer's contact information is posted on the Internet Web sites. The Chief Compliance Officer is responsible for:

- (i) Ensuring the timely posting on the Internet Web site of the information required by these Procedures, and such posting must be made within seven business days of any change and the posting must include the date on which the information was updated;
- (ii) Updating these Procedures as necessary to maintain compliance with the Standards of Conduct;
- (iii) Overseeing or conducting Standards of Conduct training of all employees, officers and directors who are required to receive training by these Procedures and maintaining signed certificates of training for all persons who have received such training;
- (iv) Distributing the Standards of Conduct procedures to employees in compliance with 18 C.F.R. Section 358.8(b)(2);
- (v) Serving as a point of contact for questions or concerns relating to compliance with the Standards of Conduct and these Procedures;
- (vi) Ensuring compliance with the Standards of Conduct and these Procedures through periodic audits and reviews of compliance and, where necessary, taking action to ensure compliance;



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- (vii) Retaining for five years records of evaluations and audits of Standards of Conduct compliance and actions taken to ensure compliance or correct instances of non-compliance with the Standards of Conduct;
- (viii) Receiving all reports of non-compliance with the Standards of Conduct and/or these Procedures and taking necessary corrective actions, including, where necessary, the posting of information on the OASIS and making reports to the FERC; and
- (ix) Posting information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced, in compliance with 18 C.F.R. Section 358.7(e)(iii).

#### **V. 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 affiliates that employ or retain marketing function employees, and these must be available for Commission inspections.

Implementation procedures: The companies maintain their books and records separate from their Affiliates that employ or retain marketing function employees, which include Central Vermont Public Service Corporation and Green Mountain Power Corporation, and these books and records are available for the Commission's inspection.