

MIDAMERICAN ENERGY COMPANY

PROCEDURES

For Implementation of the

STANDARDS OF CONDUCT

(“Procedures”)

(Updated effective January 2012)

Background

The Federal Energy Regulatory Commission (“FERC” or the “Commission”) requires MidAmerican Energy Company (“MidAmerican”), as an electric transmission provider, to provide open-access, non-discriminatory transmission service, subject to the following requirements:

- Adopt an Open Access Transmission Tariff (“OATT”).
- Use an Open Access Same-Time Information System (“OASIS”) to implement transmission transactions under the OATT and to provide transmission customers with information related to its transmission system and transmission service.
- Adopt Standards of Conduct that apply to electric transmission providers whose affiliates engage in marketing functions and designate a Chief Compliance Officer. Jeffery J. Gust, Vice President Compliance and Standards, is MidAmerican’s Chief Compliance Officer.

MidAmerican’s electric transmission system is subject to the functional control of the Midwest Independent Transmission System Operator, Inc. (“MISO”), although it is physically controlled by MidAmerican. MISO is a regional transmission organization. Transmission service on the MidAmerican transmission system is provided pursuant to the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”). The MISO OASIS node contains a MidAmerican page. Information regarding MidAmerican’s Standards of Conduct Compliance is posted on the MidAmerican Internet website (<http://www.midamericanenergy.com/elecTrans1.aspx>). This information is also accessible via the Standards of Conduct link on the MidAmerican page on the MISO public OASIS website (<http://oasis.midwestiso.org/oasis/MEC>).

Core Principles of the Standards of Conduct

- **Non-discrimination.** Transmission providers must treat all transmission customers, whether or not 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 electric energy in interstate

commerce.

- **Independent Functioning.** Transmission function and marketing function employees are required to function separately.
- **No Conduit of Transmission Information.** A transmission provider and its employees, contractors, consultants and agents are prohibited from disclosing or using conduits to disclose non-public transmission information to its marketing function employees.
- **Equal Access to Non-public Transmission Information.** A transmission provider must give equal access to non-public transmission information to all transmission customers, whether or not affiliated, unless the information is confidential customer information or critical energy infrastructure information.

Key Definitions and their Application to MidAmerican

Affiliate: Another person or entity that controls, is controlled by, or is under common control with MidAmerican. An “affiliate” includes a division of the transmission provider that operates as a functional entity. “Control” is defined as a 10% ownership interest.

Chief Compliance Officer: A designated person with responsibility for compliance with these Standards of Conduct, including employee training, answering employee questions and coordinating audits and investigations with Commission Staff.

- Vice President – Compliance & Standards, Jeffery J. Gust, has been designated Chief Compliance Officer for MidAmerican. He can be reached at 515-252-6429 (telephone), 515-979-6251 (cell), jjgust@midamerican.com (e-mail), or Urbandale Business Center, 4299 Northwest Urbandale Drive, Urbandale, Iowa 50322-7916 (mail).

Marketing function: The sale for resale in interstate commerce, or the submission of offers for sale 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 (“POLR”) acting in their POLR capacity, including any resale or reassignment of transmission service under an Open Access Transmission agreement or under a pre-Order No. 888 grandfathered agreement.

Marketing function employee: 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.

Specific clarifications:

- i.) An employee who prepares monthly or annual requests for financial transmission rights and auction revenue rights allocations to hedge the costs of serving load, but is not actively and personally engaged in sales for resale of these products is not a marketing function employee
- ii.) An employee of an affiliate of a transmission provider that does not engage in transmission transactions on that transmission provider's transmission system is not a marketing function employee.

Certain employees of the following MidAmerican affiliated corporations and business units engage in marketing function employees:

- MidAmerican Electric Trading division
- MidAmerican Unregulated Retail Services division
- CalEnergy Generation Operating Company
- CE Generation, LLC
- Cordova Energy Company, L.L.C.
- Falcon Power Operating Company
- Power Resources Ltd.
- Saranac Power Partners, L.P.
- Yuma Cogeneration Associates
- PacifiCorp's Commercial & Trading units

Note: PacifiCorp employs marketing function employees, but they do not engage in transmission transactions on the MidAmerican system.

Transmission function: The planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests, performance of system impact studies or determining whether the transmission system can support the requested services.

Transmission function employee: An employee, contractor, consultant or agent of MidAmerican who actively and personally engages on a day-to-day basis in transmission

functions.

- The transmission functions of MidAmerican are carried out by employees in the following units:
 - System Control
 - Transmission Operations
 - Transmission Services
 - Electric System Planning
- MISO functionally controls MidAmerican's transmission system. MISO employees are not considered transmission function employees of MidAmerican but follow approved standards of conduct contained in the MISO Tariff in their dealings with transmission providers such as MidAmerican.

Transmission provider: Any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce.

- MISO is a transmission provider functionally controlling MidAmerican's electric transmission system.
- Each of MidAmerican Energy Holdings Company's affiliates that is a transmission provider and has a functional division or affiliates that engage in marketing functions is responsible for compliance with the Standards of Conduct
 - MidAmerican Energy Company is an electric transmission provider
 - PacifiCorp is also an electric transmission provider
- The Standards of Conduct also apply to gas transmission providers. Northern Natural Gas Company ("Northern") and Kern River Gas Transmission Company ("Kern") are natural gas transmission providers. Certain employees of MidAmerican conducting transmission transactions on the Northern transmission system are considered marketing function employees of Northern. MidAmerican employees are prohibited from passing along any non-public Northern transmission function information to MidAmerican employees who sell natural gas for resale in interstate commerce. An exception to this is for transmission function information related to a MidAmerican request for transmission service on the Northern system. Northern and Kern are responsible for ensuring compliance with the Standards of Conduct as they apply to their gas transmission systems. MidAmerican does not conduct transmission transactions on Kern.

MidAmerican's Compliance Procedures

STANDARDS OF CONDUCT REQUIREMENTS

Following, in italics, are the Standards of Conduct requirements of CFR Part 358 relevant to electric transmission providers, followed in regular type by the associated MidAmerican compliance procedures.

§ 358.4 Non-discrimination requirements.

(a) A 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.

(b) 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 not unduly discriminatory manner, if the tariff provisions permit the use of discretion.

(c) A 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)

(d) A transmission provider must process all similar requests for transmission in the same manner and within the same period of time.

- MidAmerican is a transmission-owning member of MISO, and all requests for transmission service using MidAmerican transmission facilities are subject to the terms of the MISO Tariff.
- MidAmerican retains a limited services tariff and certain grandfathered transmission agreements. These provisions are administered in a non-discriminatory manner.
- All transmission customers, including MidAmerican affiliates engaging in marketing functions, shall rely on the MISO OASIS to obtain information concerning, or to request, a transmission reservation over the MidAmerican transmission system.

- Transmission function personnel shall not grant any undue preferential access to information concerning MidAmerican's transmission system to any person, including, but not limited to, marketing function employees.
- During any meeting, whether employing in-person, teleconference or other means of communication, where both transmission function and marketing function employees are in attendance, all persons shall refrain from asking questions about non-public transmission information unless the meeting is intended to discuss a request for transmission service made by marketing function employees. It is expected that such meetings will involve MISO personnel as well as MidAmerican employees.
- During any such encounter that occurs in person, transmission function personnel shall take actions to ensure that no non-public information relating to the use of the transmission system is displayed, or provided in written or verbal form to the marketing function personnel.

§ 358.5 Independent functioning rule.

(a) 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.

(b) 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 transmission function employees to conduct marketing functions.

- Transmission function personnel are not allowed to engage in marketing functions for MidAmerican or any affiliate.

- Marketing function personnel may not engage in transmission functions for MidAmerican.
- The only exception will be in the event of emergency operation conditions as described under § 358.7.
- Transmission function employees, when discussing transmission function matters unrelated to affiliated marketing function transmission service requests, shall not disclose to marketing function employees non-public transmission function information related to MidAmerican's transmission system.
- MidAmerican has one employee-staffed facility, located at 4299 Northwest Urbandale Drive, Urbandale, Iowa ("Urbandale Business Center") that is shared by marketing function and transmission function employees. Most marketing function employees maintain offices at the Urbandale Business Center, as does one transmission function employee. The transmission function employee occupies a separate part of the building from the marketing function employees.
- Marketing function personnel do not occupy or have automatic access to any part of the building which houses the Control Center, located at 3500 104th Street, Urbandale, Iowa. The Control Center, situated on the lower level of this building, is secured from the upper level. Marketing function employees must be escorted if they are present in the lower level of the Control Center building.
- Other transmission function employee offices are located in a building located at 106 East Second Street, Davenport, Iowa ("the "Davenport Office"), approximately 170 miles from marketing function offices. No marketing function employee has automatic access to the Davenport Office. When marketing function employees visit the Davenport Office, they may only enter the areas where transmission function employees are located when escorted.
- Information system access of marketing function employees is restricted.
- The MidAmerican Local Area Network (LAN) is used by employees as an electronic file system and as an e-mail delivery system. Access to the LAN is restricted by the use of passwords, which must be changed periodically.
- Marketing function employees do not have password access to transmission function

workgroup drives and files. Shared drives used for storage by transmission function employees are only be accessible by those employees.

- The daily report, which summarizes the previous day's transmission/distribution activities, and the transmission/distribution outage schedule, which lists future planned activities, is not distributed to marketing function employees. It is sent only to transmission function and other personnel using address lists, which are controlled and reviewed periodically by the Director-System Control. Marketing function employees only have the Generation Management System (“GMS”) installed on their Siemens TG8000 terminals. The GMS application and database are separate from the Energy Management System (“EMS”) application and marketing function employees have no access or authority to use the EMS.
- The data on the GMS is sourced from the EMS and the EMS support section of MidAmerican’s information technology department, along with transmission operations staff, are responsible for replicating the information that may be included in the GMS system.
- Additional security login procedures, including password protection, have been implemented on the Siemens TG8000 EMS. User access is administered by the EMS support section of the MidAmerican’s information technology department.
- The responsibility for collecting and monitoring individual instantaneous tie-line information resides with transmission function employees. Information on how to access tie-line readings is publicly available via the Tie Line Data link on the MidAmerican homepage on the MISO public OASIS website (<http://oasis.midwestiso.org/oasis/MEC>). Tie line data is available to all certified users.

§ 358.6 No conduit rule.

(a) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees

(b) An employee, contractor, consultant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider’s marketing function employees.

- No employee of MidAmerican or any of its affiliates shall act as a conduit for sharing transmission information, as described above, with any marketing function employee.
- This applies to all forms of communication, i.e., phone, e-mails, fax, in-person, etc, whether during business or non-business hours.
- In order to ensure that all employees understand their obligations not to be conduits of non-public transmission function information, MidAmerican has adopted the following measures:
 - Training is provided as further described in §358.8(c)(1).
 - Information on the Standards of Conduct is available on MidAmerican's Internet site and more detailed information is also available on MidAmerican's intranet site.
 - Employees are provided annually a summary of the Standards of Conduct and these procedures.

§ 358.7 **Transparency rule.**

(a) Contemporaneous disclosure.

- (1) *If a transmission provider discloses non-public transmission function information, other than information identified in paragraph (a)(2) of this section, in a manner contrary to the requirements of § 358.6, the transmission provider must immediately post the information that was disclosed on its Internet website.*
 - (2) *If a transmission provider discloses, in a manner contrary to the requirements of § 358.6, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in § 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 website that the information was disclosed.*
- The MISO OASIS is the means of communication used to obtain transmission function information related to the MidAmerican transmission system, and to request and grant transmission reservations or inquire about the availability or use of transmission service. When receiving telephonic or electronic inquiries from any person, including marketing function employees, regarding the status or availability of transmission facilities or other

non-public transmission function information, transmission function employees shall only disclose information that has been posted on the MISO OASIS.

- Transmission function employees may not selectively inform persons engaging in marketing functions, including marketing function employees, that transmission function information will be posted at a specific time.
- The Standards of Conduct do not prohibit transmission function employees from providing information and assistance to MidAmerican or affiliate personnel that are not marketing function employees, such as those providing corporate support, generation and distribution operations personnel, and employees planning generation resources for service to MidAmerican's bundled retail load. Transmission information conveyed for such purposes shall be labeled for restricted distribution, and is not to be released or discussed non-publically with any marketing function employee. The potential to be a conduit of transmission function information to marketing function employees is covered in MidAmerican's training.
- If a MidAmerican employee inadvertently discloses non-public transmission function information, such information shall be posted on the MidAmerican Internet website (<http://www.midamericanenergy.com/elecTrans1.aspx>) immediately.
- If a MidAmerican employee inadvertently discloses transmission function information that is non-public customer information or Critical Energy Infrastructure Information or any other information that the Commission by law has determined is to be subject to limited dissemination, a notice of the disclosure shall be posted on the MidAmerican Internet website (<http://www.midamericanenergy.com/elecTrans1.aspx>) immediately.

(b) Exclusion for specific transaction information. A transmission provider's transmission function employee may discuss with its marketing function employee a specific request for transmission service submitted by the marketing function employee. The transmission provider is not required to contemporaneously disclose information otherwise covered by § 358.6 if the information relates solely to a marketing function employee's specific request for transmission service.

(c) Voluntary consent provision. 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 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.

- Transmission function personnel shall work with the MISO to first obtain and post a voluntary consent on the MISO OASIS node, including the information required by §358.7(c), from a non-affiliated Transmission Customer in order to share information with marketing function personnel.
- The voluntary consent may be in the form of a MidAmerican Energy Authorization and Release Agreement, designating the marketing function as agent for the transmission customer. Transmission customer information eligible for disclosure to the designated agent is information related to the applicable transaction, as the agent may request and the transmission customer deems necessary for the performance of the transaction.

(d) Posting written procedures on the public Internet. A transmission provider must post on its Internet website current written procedures implementing the standards of conduct.

(e) Identification of affiliate information on the public Internet.

- (1) A transmission provider must post on its Internet website the names and addresses of all its affiliates that employ or retain marketing function employees*
- (2) A transmission provider must post on its Internet website 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.*
- (3) The transmission provider must post information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced.*

- All information required by these parts can be found on the MidAmerican Internet website (<http://www.midamericanenergy.com/elecTrans1.aspx>). This information will be updated within seven days of any change, as required by §358.7(g). The modified document will be identified with the date of posting. This information is also accessible

via the Standards of Conduct link on the MidAmerican homepage on the MISO public OASIS website (<http://oasis.midwestiso.org/oasis/MEC>).

- The Corporate Secretary of MidAmerican is responsible for advising the Chief Compliance Officer or his designee when a potential merger is announced.

(f) Identification of employee information on the public Internet

(1) A transmission provider must post a notice on its Internet website the job titles and job description of its transmission function employees.

(2) A transmission provider must post a notice on its Internet website 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 website 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 function employee and as a marketing function employee), and*
- iii) The effective date of the transfer.*

(g) Timing and general requirements of postings on the public Internet.

(1) A transmission provider must update on its Internet website the information required by this part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under part 358 on its OASIS, but is not required to do so.

(2) In the event of 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.

(3) All Internet website postings required by this part must be sufficiently prominent as to be readily accessible.

- Information regarding transmission function employee job titles and job descriptions is posted on the MidAmerican Internet website (http://www.midamericanenergy.com/include/pdf/ElecTrans/employee_positions.pdf) under the Standards of Conduct link and also can be found on the MISO public OASIS website (<http://oasis.midwestiso.org/oasis/MEC>). Updates to the posted information are made within 7 days of any change. The Chief Compliance Officer or his designee shall daily review computer-generated information regarding job changes, including information regarding transmission function employee transfers to marketing function positions and vice versa. When employees of MidAmerican transfer from a MidAmerican marketing function to a MidAmerican transmission function position or vice versa, the following information shall be posted on MidAmerican's public Internet website within seven (7) business days of the effective date of the transfer:
 - The name of the transferring employee
 - The respective titles held while performing each function
 - The effective date of the transfer

The information shall remain posted for 90 days.

(h) Exclusion of and recordation of certain information exchanges.

(1) Notwithstanding the requirements of §§ 358.5(a) and 358.6, a transmission provider's transmission function employees and marketing function employees may exchange certain non-public transmission function information, as delineated in § 358.7(h)(2), in which case the transmission provider 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. The transmission provider 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.

(2) The non-public information subject to the exclusion in § 358.7(h)(1) is as follows:

- 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.

iii) Generating unit economics and rail outage information do not fall under the scope of non-public transmission function information.

- 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 to call on marketing function employees to assist in operating the system or restoring the system to a normal operating state. If time permits, the Chief Compliance Officer shall be consulted prior to such designation, or he shall be consulted afterwards as soon as reasonably possible. If it is not possible to create a contemporaneous record of any non-public transmission function information conveyed to any marketing function employees during an emergency, a record shall be created as soon as practicable after-the-fact.
- Compliance with certain of the Reliability Standards may require consultation between transmission function employees and marketing function employees. To the extent that such communications involve the exchange of non-public transmission function information, they will be contemporaneously documented, either by e-mail, recorded telephone exchanges or minutes.
- The Chief Compliance Officer has designated MidAmerican's Information Technology Department to retain records of recorded telephone lines.

(i) Posting of waivers. A transmission provider must post on its Internet website 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.

- Any waiver granted to an affiliate with respect to the service on the MidAmerican transmission system shall be authorized by the Manager of Transmission Services. Transmission Services will cause any such waiver to be posted on the MidAmerican

Internet website within one business day of the time the waiver is granted and will maintain a log detailing specific circumstances under which MidAmerican grants such a waiver.

§ 358.8 Implementation requirements.

(a) Effective date. *A transmission provider must be in full compliance with the standards of conduct on the date it commences transmission transactions with an affiliate that engages in marketing functions.*

(b) Compliance measures and written procedures.

(1) *A transmission provider must implement measures to ensure that the requirements of §§ 358.5 and 358.6 are observed by its employees and by the employees of its affiliates.*

(2) *A transmission provider must distribute the written procedures referred to in § 358.7(d) 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.*

(c) Training and compliance personnel.

(1) *A transmission provider must provide annual training on the standards of conduct to all the employees listed in paragraph (b)(2) of this section. The transmission provider must provide training on the standards of conduct to new employees in the categories listed in paragraph (b)(2) of this section, within the first 30 days of their employment. The transmission provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.*

- MidAmerican uses training material provided by the Edison Electric Institute. Computer-based training is available to employees through a learning management system, which has electronic certification of completion. The Chief Compliance Officer or his designee and the Human Resources Department administer training requirements to ensure that all new or transferring employees are trained within 30 days of accepting their new positions.

- In order to ensure that all employees have some familiarity with the Standards of Conduct, MidAmerican provides several levels of training annually:
 - Employees of MidAmerican and its affiliates who may be privy to non-public transmission information take the Edison Electric Institute training.
 - MidAmerican contractors, agents and consultants that may be privy to transmission information are also required to take the Edison Electric Institute training.
 - Union-represented employees and contractors not privy to transmission information are trained using a “tip sheet” overview of the Standards of Conduct.
 - To reinforce the Standards of Conduct, all MidAmerican employees annually receive the tip sheet, along with a copy of the current version of these procedures.
 - All of MidAmerican’s related gas and electric transmission providers implement a program of Standards of Conduct training.
- These procedures are reviewed annually, prior to their annual distribution to employees, and also during the course of the year when there are any changes resulting from interpretations of or changes in the regulations.

(2) 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 website.

- MidAmerican has designated and posted on its public Internet website the name of Jeffery J. Gust, Vice President-Compliance & Standards, as the Chief Compliance Officer for MidAmerican.
- In addition, employees are instructed to consult with their supervisors or assigned legal counsel if they have any questions about the Standards of Conduct.

(d) Books and records. The 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.

- Thomas B. Specketer, MidAmerican's Vice President, United States Regulatory Accounting and MidAmerican Energy Company Controller, maintains the books and records for MidAmerican Energy Company in compliance with the Commission's System of Accounts for Electric Companies, which requires separate reporting of costs and revenues of public utility and non-public utility operations.
- All information displayed on the MidAmerican Internet website will be retained by the Chief Compliance Officer or his designee in accordance with this Part 358 of the Commission's regulations.