

**STANDARDS OF CONDUCT
SEPARATION OF WORK FUNCTIONS FOR
NEBRASKA PUBLIC POWER DISTRICT**

PURPOSE

This standard provides for the organizational and physical separation of Nebraska Public Power District (NPPD) employees engaged in the Transmission Function (Customer Services and Delivery) from District employees or its affiliate engaged in the Wholesale Merchant Function (Energy Supply). While District employees include a number of individuals engaged in the Wholesale Merchant Function, most of this activity is conducted through the District's affiliate, The Energy Authority (TEA).

The District emphasizes that this standard is binding on individual employees and that an employee may not circumvent the requirements of this standard. Employees failing to comply with this standard face possible disciplinary action. This standard provides that the Customer Services and Delivery organization, System Control Department, and the Regulatory, Planning and Contracts Department will be primarily responsible for administering the District's T-2 Transmission Service Rate Schedule (T-2 Rate Schedule) and OASIS (Open Access Same-Time Information System).

The Federal Energy Regulatory Commission (Commission or FERC) Order No. 2004, Standards of Conduct, applies to public utilities as defined in the Federal Power Act. The District, as a state political subdivision, is not a public utility under this definition and is not subject to FERC jurisdiction except as to electric reliability standards and other specific provisions in the Electricity Modernization Act of 2005 or the requirements of this FERC Order. However, to the extent allowed by Nebraska state law and subject to the District's financial, operating, contractual, and other legal requirements, the District is voluntarily implementing new standards of conduct to separate its Transmission Function from its Wholesale Merchant Function.

SCOPE

This document identifies the District's standard to identify separation of work functions.

DISTRICT STANDARD

Standard No. LEG-ST-001

Issue Date 02/08/06

Page 2 of 11

This standard applies to District employees engaged in Wholesale Merchant Functions, Transmission Functions, and other employees identified as having potential to be conduits of District Transmission Function information. Consider all above mentioned employees “Designated Employees” for the purposes of this standard.

INFORMATION

On June 1, 1999, the District entered into a restated and amended operating agreement with the power marketing alliance known as The Energy Authority (TEA). TEA is a Georgia not-for-profit corporation, which has its offices in Jacksonville, Florida. TEA is a full-service power-marketing organization with seven-day per week, 24-hour per day trading operations and actively participates in the short, mid- and long-term markets. TEA is responsible for buying and selling wholesale power for its members. By partnering with TEA, the District’s Wholesale Merchant Function has largely been transferred to TEA. District employees remaining in the Wholesale Merchant Function include those employees involved in administering the District’s contract with TEA and those employees administering wholesale participation contracts. These employees are: the Energy Manager of Energy Supply, direct reports of the Energy Manager, and the Vice President of Energy Supply, to whom the Energy Manager reports. The Physical Separation, Organizational Separation and Executive Management Reports, and the Information Access sections of this document describe procedures governing physical separation, executive management reporting, and electronic access designed to ensure the separation of the District’s Transmission Function from the Wholesale Merchant Function.

The District prohibits employees engaged in Wholesale Merchant Functions from conducting Transmission Functions (system operations, reliability functions) and having access to the Control Center's Control Room or other transmission data sources internally. Wholesale Merchant Function employees must obtain information about the status of the District’s Transmission System from the OASIS so those employees do not have an unfair advantage over other transmission customers.

District employees engaged in Transmission Functions may not share any market information, acquired from present or potential transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS,

with Wholesale Merchant Function employees, except to the limited extent information is required to be posted on the OASIS in response to a request for wholesale transmission service or ancillary services.

Emergencies

Notwithstanding any other provisions in this standard, in emergency circumstances affecting system reliability, District employees may take whatever steps are necessary to keep the power supply system and Transmission System in operation.

District employees must report each emergency that results in any deviation from the standards of conduct immediately to the System Operator at the District's Control Center, who, in turn will post the deviation on the OASIS within 24 hours of such deviation.

DEFINITIONS

Affiliate - The Energy Authority (TEA). A certain Georgia not-for-profit corporation with offices in Jacksonville, Florida.

Corporate Headquarters - The District's General Office is located at 1414-15th Street, Columbus, Nebraska, 68601.

Control Center - The District's Control Center building houses the District's Control Room where Transmission System operations and control area operations are conducted. The Control Center is also where the Transmission System Control Department (System Control Department) and portions of the Energy Supply Department and Regulatory, Planning and Contracts Department are located.

Designated Employee - District employees that are required to follow this standard and be trained accordingly.

Energy Management System or EMS - The computer system used to monitor, control, study, and coordinate the operation of the District's transmission and generation facilities.

LAN or Local Area Network - LAN connects a group of computers for the purpose of sharing resources such as programs, documents, or printers. Shared files often are stored on a central file server.

MAPP - The Mid-Continent Area Power Pool.

Open Access Same-time Information System (OASIS). - The Midwest ISO under contract with MAPP established and maintains OASIS serving NPPD. The system is used to post NPPD's T-2 Rate Schedule, its wholesale Transmission System information, general broadcasts regarding Transmission System operation, including disclosure of activities subsequent to potential emergency conditions, and other information to existing and potential customers, enabling the customers to request transmission service.

T-2 Transmission Service Rate Schedule (T-2 Rate Schedule) - The District's rate schedule which contains its current rates, charges, terms, conditions, and service specifications for transmission and ancillary service, as it may be revised and in effect by the District from time to time.

Transmission Service / Transmission Function - Activities related to the transmission of capacity and/or energy, including ancillary services, over the Transmission System as described in the T-2 Rate Schedule. Transmission service includes transmission into, within, out of, or through the District's control area.

Transmission Service Agreement (TSA) - A written contract containing terms and provisions that govern and describe the transmission service that the District provides to a transmission customer.

Transmission Service Customer (Transmission Customer) - Any entity which wheels or is eligible to wheel electric capacity and energy over the interconnected Transmission System of the District, and which has entered into a TSA with the District. The District's native load customers will also be considered transmission customers. An entity that does not utilize the District's Transmission System, but receives one or more ancillary services provided by the District, will also be considered a transmission customer.

Transmission System - Those transmission facilities including lines, substations, switching stations, and all appurtenances which are owned, leased or operated by the District and which are designed to operate at nominal voltage levels of 115kV and above.

Wholesale Merchant Function - The sale for resale, or purchase for resale, of electric energy in interstate commerce. This function includes all associated marketing, sales and brokering activity, whether undertaken by the District's employees or employees of its affiliate.

STANDARD**FUNCTIONAL SEPARATION OF TRANSMISSION SYSTEM OPERATIONS AND THE WHOLESALE MERCHANT FUNCTION**Physical Separation

Employees of the District or its affiliate engaged in the Wholesale Merchant Function will not have access to the Control Room that differs in any way from the access available to other transmission customers. The Control Room located in the Control Center houses the System Control Department. Physical access to the Control Room is limited through use of the Control Center's security system. District employees engaged in the Wholesale Merchant Function will maintain offices outside the Control Room. TEA employees will be located at TEA's corporate offices in Jacksonville, Florida.

Organizational Separation and Executive Management Reports

There is no overlap of transmission and merchant functions between personnel engaged in the Wholesale Merchant Function and personnel engaged in Transmission Functions.

The Vice President of Energy Supply is responsible for 1) those District employees who perform Wholesale Merchant Function activities, and 2) administering the District's contract with TEA. The Vice President of Energy Supply has no Transmission Function responsibilities nor has any employees engaged in the Transmission Function. The Vice President of Energy Supply reports directly to the District's President and CEO.

The Transmission Function resides under the Vice President - Customer Services and Delivery, who also reports to the District's President and CEO.

DISTRICT STANDARD

Standard No. LEG-ST-001

Issue Date 02/08/06

Page 6 of 11

The District has posted on its OASIS organizational charts the names and job descriptions of its designated employees, as well as the chain of command. This organizational structure ensures organizational separation.

District employees responsible for retail, wholesale, and transmission rate design perform their function based on historic data, forecasting tools, revenue requirements, cost estimates, etc. They develop transmission cost of service based on financial data obtained by the District's Finance, Risk Management, and Rates business unit. This group does not decide, direct, organize, or execute Transmission Functions or Wholesale Merchant Functions, and reports to a District vice president that is independent from both the Customer Services and Delivery organization and the Energy Supply organization.

Information Access

Employees of the District or its affiliate engaged in the Wholesale Merchant Function will not have access, directly or indirectly, to Transmission System information on the EMS. The Control Center's EMS data access is controlled and restricted through EMS security provisions. The Control Center Support Supervisor controls and approves EMS access. Express approval from the Transmission System Control Supervisor must be obtained before granting rights and privileges to the Control Center file server that may contain Transmission System or reliability information. Generation and critical operating data will be provided from the EMS to Wholesale Merchant Function employees. Those receiving this data will otherwise have no access to Transmission System data residing on EMS files.

Generation Data - Generation data that will be made available to employees engaged in the Wholesale Merchant Function relates only to the generation units that are owned by the District or those units jointly owned, operated, or dispatched by the District. Data includes hourly metering data, power output data, generation station alarms, load data display showing total control area load, certain individual NPPD customer firm load data necessary for determining control area load, displays defining generation station alarm settings monitoring of water flows at hydro stations, interchange transactions where Energy Supply is involved in the transaction, net control area interchange data and generation report displays.

Transmission Data - Employees engaged in the Wholesale Merchant Function will not have access to Transmission System data. Such data includes transmission line segment displays, displays defining substation layouts and line segments, load shedding displays for transmission, transmission switching orders, voltage reduction displays, EMS system configuration displays, and displays for accessing archived data.

Responsibility for Administering T-2 Rate Schedule and OASIS

The System Control Department and the Regulatory, Planning and Contracts Department are responsible for administering and providing service under the T-2 Rate Schedule and implementing applicable District standards and procedures.

Responsibility for Reliability Functions

The System Control Department is responsible for the District's system reliability Transmission Function. The manager of this department reports directly to the Vice President - Customer Services and Delivery. The System Control Department is responsible for the reliability of the transmission interfaces that the District has with neighboring, interconnected electric utilities.

Designation of Chief Compliance Officer

The Vice President - Customer Services and Delivery is designated as the District's Chief Compliance Officer.

BEHAVIORAL RULES

This section prescribes rules governing the behavior of employees of the District and its affiliate. Employees are reminded that these rules are intended to be interpreted with common sense, prudence, and caution, and that employees are not permitted to do indirectly (e.g., through a third party) what they may not do directly.

Rules Primarily Addressed to Employees Engaged in the Wholesale Merchant Function

Any employee of the District, or any employee of its affiliate, engaged in the Wholesale Merchant Function:

- Will not conduct Transmission System operations or reliability functions.
- Will not have access to the District's Control Center Control Room that differs in any way whatsoever from the access available to other Transmission Customers. As used in this paragraph, access includes not only physical access to the Control Center Control Room, but also access to Transmission System information that is stored on the EMS or stored on any LAN that is being used in connection with such operations.
- Will have access only to that Transmission System information available to the District's transmission customers (e.g., the information posted on the OASIS) and will not have preferential access to any information about the Transmission System that is not available to all users on the OASIS.
- Is prohibited from obtaining information about the District's Transmission System (including information about available transmission capability, curtailments, ancillary services, etc.) through access to information not posted on the OASIS that is not otherwise available all transmission customers, or through information through the OASIS that is not also publicly available to all transmission customers.

Rules Addressed to Shared Employees, Officers, and Risk Management Employees

- Employees may provide support services, such as clerical, field, maintenance, billing, and accounting services, to both Transmission Function and Wholesale Merchant Function groups; if such shared employees do not serve as a conduit for the provision of Transmission System operations information described in the "Rules Primarily Addressed to Employees Engaged in Transmission System Operations or Reliability Functions" section (first bullet) to employees in the Wholesale Merchant Function.
- Officers may be responsible for both the Transmission Function and Wholesale Merchant Function groups, if these individuals do not serve as conduits for the provision of Transmission System operations information described in the

“Rules Primarily Addressed to Employees Engaged in Transmission System Operations or Reliability Functions” section (first bullet) to employees in the Wholesale Merchant Function.

- Risk management employees may be shared by Transmission Function and Wholesale Merchant Function groups, provided that these employees are not engaged in the Transmission Function, sales, or commodity functions with the Wholesale Merchant Function group.

Rules Primarily Addressed to Employees Engaged in Transmission System Operations or Reliability Functions

- Any employee of the District engaged in Transmission System operations or reliability functions may not disclose to any employee of the District or its affiliate engaged in the Wholesale Merchant Function any information concerning the Transmission System of the District or the Transmission System of another utility (including information received regarding available transmission capability, curtailments, ancillary services, etc.) through non-public communications, or through access to information not posted on the OASIS that is not at the same time available to the transmission customers.
- In the event a District employee engaged in Transmission System operations or reliability functions discloses information not posted on the OASIS in a manner contrary to the requirements of this standard, that employee must immediately report it to the Transmission System Control Supervisor, who in turn must immediately post the information on the OASIS. The posting and or other disclosure is not required to the extent the information disclosed relates solely to the District Wholesale Merchant Function’s specific request for transmission service.
- An employee of the District may not share any market information acquired from a non-affiliated transmission customer or a potential non-affiliated transmission customer, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with an employee of the District (or its affiliate) engaged in the Wholesale Merchant Function, except to the limited extent

information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.

- The District's Transmission Function employees may share with its Wholesale Merchant Function employees and its affiliate operating information necessary to perform generation dispatch, so long as such information does not include specific information about individual third party transmission transactions or potential transmission arrangements.

Transfer of Employees between Transmission System Operations or Reliability Functions and the Wholesale Merchant Function

The System Control Department will post on the OASIS in accordance with this standard notice of any employee transfer between Transmission System operations or reliability functions and the Wholesale Merchant Function. The information to be posted must include: the name of the transferring employee, the respective titles held while performing each function (e.g., on behalf of the Transmission Function and Wholesale Merchant Function), and the effective date of the transfer. The information must be posted on the OASIS before the effective date of the transfer and must remain on the OASIS for the 90 days after the effective date of the transfer. It is the responsibility of the Chief Compliance Officer to work in conjunction with the District's Human Resources Department to identify employees transferring to or from the Wholesale Merchant Function to the Transmission Function or reliability functions and promptly report this information to the Transmission System Control Supervisor for posting on the OASIS.

Maintenance of Books and Records

The District will maintain its books of account and records separately from those of its affiliate.

Standard Implementing Standards of Conduct will be Publicly Available

A copy of this standard will be available both on the District's Internet homepage and to authorized users with access to the District's homepage via OASIS.

DISTRICT STANDARD

Standard No. LEG-ST-001

Issue Date 02/08/06

Page 11 of 11

Training / Distribution of this Standard

The Chief Compliance Officer will be responsible for District compliance with this standard, will coordinate the training applicable to this standard, and will maintain records to confirm training completed. The Chief Compliance Officer distributes this standard to all designated employees and to TEA.

Document Approval / Review Information		
Author:	Paul Malone	Next Review Date: 02-01-07
Reviewed By:	Joe Moore	Date Reviewed: 02-07-06
Approved By:	Bill Fehrman	Date Approved: 02-08-06
Revision History		
Revision Date	Revised By	Revision Description
02-01-06	Paul Malone	Supersedes Corporate Policy/Procedure PR-02 dated 04/02/01.