

## **Compliance Manual for FERC Requirements**

Trans Bay Cable LLC ("Trans Bay") is subject to Federal Energy Regulatory Commission ("FERC") regulation as a "public utility" under the Federal Power Act ("FPA"). Trans Bay has created a FERC compliance program ("FCP") to ensure that it and its employees, including senior management and directors ("Employees") comply with all applicable FERC requirements. The FCP includes a compliance policy, slide presentation, and this Compliance Manual ("CM"). Trans Bay's FERC Compliance Officer or his or her delegate (together referred to as the "FCO") will oversee the FCP.

This CM summarizes the FERC requirements and, together with the attached compliance chart, is designed to establish protocols and procedures pursuant to which Trans Bay can monitor filing deadlines and ensure that all required FERC filings are submitted.

### **1. General Tariff Requirements**

Trans Bay and Employees must strictly comply with the terms of the Trans Bay Transmission Owner ("TO") Tariff. FERC can impose significant penalties if Trans Bay fails to comply with the TO Tariff. Trans Bay has transferred operational control of its transmission facilities to CAISO. As a result, CAISO is responsible for implementing the TO Tariff. Trans Bay and Employees are obligated to be aware of CAISO's actions related to the TO Tariff. Employees must promptly notify the FCO if they believe that CAISO has or will take actions that are inconsistent with or do not comply with the TO Tariff. The FCO must keep a log of any instances of noncompliance.

#### **Trans Bay Action Items:**

- **Trans Bay and Employees must act consistently with the TO Tariff.**
- **If an Employee discovers that CAISO acts in a manner that is inconsistent with the TO Tariff, the Employee must promptly notify the FCO.**
- **The FCO must keep a log of any instances in which Trans Bay or CAISO acted inconsistently with the TO Tariff.**

### **2. EQR Filings (Form No. 516)**

Trans Bay must submit electronic quarterly reports ("EQRs") detailing all services provided under the TO Tariff. The EQR must describe all contracts for service under the TO Tariff and transactions. Trans Bay must report each effective contract in the EQRs until the contract is terminated or expires.

Trans Bay must file each EQR no later than the last day of the first calendar month following the end of the relevant calendar quarter.

**Trans Bay Action Items:**

- **Trans Bay must file EQRs according to the following schedule:**
  - **For the period from January 1 through March 31, file by April 30**
  - **For the period from April 1 through June 30, file by July 31**
  - **For the period from July 1 through September 30, file by October 31**
  - **For the period October 1 through December 31, file by January 31**
- **Employees must prepare EQR filings and submit them to the FCO for approval.**
- **After the FCO has approved each EQR filing, Employees must submit the EQR filing and record it on the compliance chart.**

**3. Prior Authorization for Interlocking Directorates --  
FPA Section 305(b)**

Absent prior FERC authorization, an officer or director of Trans Bay is prohibited from simultaneously holding a position as an officer or director of Trans Bay and as an officer or director of: (1) another public utility; (2) a bank, trust company, banking association, or firm that is authorized to underwrite or participate in the marketing of securities of a public utility; or (3) a company supplying electrical equipment to Trans Bay. For the purpose of this regulation, the terms "officer" and "director" include an individual who carries out the duties typically performed by a company's officers or directors, even if the individual's job title does not include the words "officer" or "director." An affected officer or director must submit an application for and obtain FERC authorization under Section 305(b) of the FPA *prior* to assuming the duties of the interlocking positions.

Alternatively, if an affected officer or director qualifies for "automatic authorization" to hold interlocking position under the criteria described below, he or she may submit an *informational report* with FERC describing the positions to be held, rather than having to file an individual application. The FERC's rules grant automatic authorization to hold interlocking positions to an officer or director of a public utility, if that person also is: (1) an officer or director of one or more other public utilities and the same holding company has ownership and voting interests in both utilities; (2) officer or director of two public utilities, and one utility is owned by the other and, as its primary business, provides transmission service or electric power for sale to its owners; and (3) officer or director of more than one affiliated public utility, and such officer or director is already authorized to hold different interlocking positions involving those utilities.

A person seeking to hold interlocking positions covered by the automatic authorization provisions must file the informational report prior to assuming the duties of the positions.

Although Section 305(b) applies to individuals that hold interlocking positions, rather than to the affected public utility, FERC policy is that public utilities are obligated to ensure that their officers and directors are in compliance.

**Trans Bay Action Items:**

- **Prior to being designated as an officer or director of Trans Bay and of one or more of the above-described categories of companies, an individual must obtain FERC authorization. Trans Bay must review the activities of its officers and directors to ensure that they do not hold unauthorized interlocking positions.**
- **Trans Bay must record on the compliance chart each application for authorization for interlocking positions.**

**4. Annual Report of Interlocking Directorates (FERC Form No. 561) -- FPA Section 305(c)**

By April 30 of each year, officers or directors of Trans Bay that are also officers or directors of one or more of the categories of company listed below must file a Form No. 561:

- Investment bank; bank holding company; foreign bank doing business in the United States; other organization primarily engaged in the business of providing financial services or credit; mutual savings bank; or savings and loan association;
- Insurance company;
- Company authorized to underwrite or participate in the marketing of securities of a public utility;
- Company that produces or supplies electric equipment for the use of public utilities;
- Company that produces or supplies coal, natural gas, nuclear fuel, or other fuel for the use of public utilities;
- Company that is one of a public utility's twenty largest purchasers of retail electric energy;
- Entity that is controlled by any of the above

**Trans Bay Action Items:**

- **By April 30 of each year, all Trans Bay officers or directors holding interlocking positions under Section 305(c) must submit a FERC Form No. 561.**

- **Trans Bay must record on the compliance chart that interlocking directorates have submitted FERC Form No. 561.**

## **5. FERC Form No. 1**

On or before April 18 of each year, Trans Bay (which falls within the FERC's definition of a "Major Utility")<sup>1</sup> must submit FERC Form No. 1, an annual comprehensive financial and operating report. The software to be used to file this report is available for downloading from the FERC website.

<http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>.

### **Trans Bay Action Items:**

- **By April 18 of each year, Trans Bay must submit FERC Form No. 1.**
- **Employees must prepare each FERC Form No. 1 and submit it to the FCO for approval.**
- **After the FCO approves each FERC Form No. 1, Employees must file the form at FERC and record it on the compliance chart.**

## **6. FERC Form No. 3Q**

As a supplement to FERC Form No. 1, Trans Bay must submit a quarterly financial and operating report. FERC Form No. 3Q is due within 60 days of the end of each calendar quarter. Electronic software for submitting FERC Form No. 3Q is available for downloading from the FERC website.

<http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>.

### **Trans Bay Action Items:**

- **Trans Bay must file FERC Form No. 3Q according to the following schedule:**
  - **For the period from January 1 through March 31, file by May 30**
  - **For the period from April 1 through June 30, file by August 29**
  - **For the period from July 1 through September 30, file by November 29**

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<sup>1</sup> A Major Utility is one that has, in each of the three previous calendar years, sales or transmission service that exceed: (1) one million MWh or more of total annual sales; (2) 100 MWh of annual sales for resale; (3) 500 MWh of annual power exchange delivered; or (4) 500 MWh of annual wheeling for others (deliveries plus losses). Non-Major Utilities are those having total annual sales of 10,000 MWh or more and not classified as Major.

- **Employees must prepare each FERC Form No. 3Q and submit it to the FCO for approval.**
- **After the FCO approves each FERC Form No. 3Q, Employees must file the form and record it on the compliance chart.**

## **7. FERC Form No. 715**

FERC requires "transmitting utilities" (entities that own, operate or control facilities used to transmit electric energy for wholesale sale, in the continental U.S. other than ERCOT) that operate integrated (non-radial) transmission facilities at or above 100 kilovolts) to submit an annual report regarding transmission planning, constraints and available transmission capacity.

If a transmitting utility does not perform transmission planning, which is the case for Trans Bay, it may request a waiver from the requirements of Form No. 715. The waiver request must identify the entity that performs transmission planning.

Trans Bay should file a request for a waiver of this requirement and identify CAISO as the entity that performs transmission planning regarding Trans Bay's facilities. If FERC grants the waiver, Trans Bay will not need to file a waiver request again unless CAISO no longer performs transmission planning.

The waiver request is due prior to April 1, which means Trans Bay should file a request by March 31.

### **Trans Bay Action Items:**

- **Trans Bay should file a request for waiver of Form No. 715 by March 31, 2011.**
- **Employees must record on the compliance chart that they filed a request for waiver.**

## **8. Public Utility Holding Company Act of 2005 (PUHCA 2005) Filings**

Under PUHCA 2005, a company that directly or indirectly owns or controls ten percent or more of the voting securities of an "electric utility company" (a company that owns or operates facilities used for generation, transmission or distribution of energy for sale) or a "gas utility company" (a company that owns or operates facilities used for the distribution or natural or manufactured gas at retail) is a "holding company." Exempt wholesale generators ("EWGs"), foreign utility companies ("FUCOs") and owners or operators of qualifying cogeneration and qualifying small power production facilities ("QFs") are "electric utility companies" under PUHCA 2005.

A holding company must notify FERC of its status as such no later than 30 days after its formation by submitting a Form FERC-65, which identifies the holding company and its affiliates. A company is not considered a "holding company" regarding a subsidiary electric utility company or gas utility company until that subsidiary company's facilities are in-service. If a holding company is not exempt, it has to comply with FERC reporting, record-keeping, and accounting requirements.

A holding company may automatically qualify for or may be permitted to apply for an exemption from the requirement to provide FERC access to the company's books and records as well as FERC's reporting, record-keeping, and accounting requirements. A holding company may apply for an exemption by submitting a Form FERC-65A. Holding companies meeting qualification criteria may also apply for waiver of the reporting, record-keeping, and accounting requirements by submitting a Form FERC-65B.

Trans Bay Funding LLC and SteelRiver Transmission Company LLC, subsidiaries of SteelRiver Infrastructure Partners LP ("SRIP"), are holding companies that are the upstream owners of Trans Bay (an electric utility company) and Peoples Natural Gas Company LLC (a gas utility company). On December 20, 2010, SRIP submitted a Form FERC-65 which identified Trans Bay Funding and SteelRiver Transmission Company LLC as holding companies. SRIP also submitted a Form FERC-65A, which notifies FERC that it is exempt from the books and records access, reporting, record-keeping, and accounting requirements of PUHCA 2005 and the FERC's regulations. Additionally, SRIP submitted a Form FERC-65B notifying FERC that it is entitled to a waiver of the reporting, record-keeping, and accounting requirements associated with Trans Bay because Trans Bay is an independent transmission-only company.

PUHCA filings must be made or updated within 30 days after an event requiring filing or updating occurs.

#### **Trans Bay Action Items:**

- **Trans Bay must monitor the corporate family of SRIP and ensure that Form FERC-65, FERC-65A, and FERC-65B are amended as necessary.**
- **Employees must record PUHCA filings on the compliance chart.**

#### **9. Acquisition of Entities that Sell Electric Energy**

Trans Bay is not currently affiliated with any entities that sell electric energy. If Trans Bay becomes affiliated with any such entities, Trans Bay should revisit its compliance obligations immediately so that the FCP can be modified to address any associated FERC requirements.

#### **Trans Bay Action Item:**

- **Trans Bay should review and update its FCP if it is considering transactions that would result in its being affiliated with sellers of electric energy, so that the FCP can be modified.**

## **9. Standards of Conduct Requirements**

If a Trans Bay affiliate (an entity that Trans Bay controls, is controlled by, or is under common control<sup>2</sup> with) requests or takes transmission service over Trans Bay's facilities, Trans Bay must implement FERC's Standards of Conduct. The Standards of Conduct are designed to prevent a transmission provider from giving preferential treatment to affiliated customers as compared to other customers. The Standards require a transmission provider to function independently from affiliates that engage in marketing functions and restrict communications between a transmission provider and those affiliates. Entities subject to the Standards of Conduct must establish written policies that ensure employees follow the requirements and provide recurring training to those employees regarding the requirements.

If Trans Bay becomes affiliated with entities that request or take transmission service over Trans Bay's facilities, Trans Bay should revisit its compliance obligations immediately so that the FCP can be modified to address those requirements.

### **Trans Bay Action Item:**

- **Trans Bay should review and update its FCP if it is considering transactions that would result in its being affiliated with entities that may request or take transmission service from Trans Bay, so that the FCP can be modified.**

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<sup>2</sup> "Control" in this context 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. FERC assumes an entity has "control" if it has a direct or indirect voting interest of 10 percent in a given entity.