

**STANDARDS OF CONDUCT
IMPLEMENTATION AND COMPLIANCE**

**Standards of Conduct for Transmission Providers
Pursuant to FERC Order No. 717**

In compliance with Chapter I, Title 18, Part 358 of the Code of Federal Regulations (Standards of Conduct), Minnesota Power hereby provides the following information.

Overview of Operations and Functions

Minnesota Power is a public utility that owns, operates and controls facilities used for transmission of electric energy in interstate commerce. Minnesota Power is a division of ALLETE, Inc., and provides electricity to retail customers in Minnesota and to wholesale customers primarily in the Upper Midwest, and provides limited wholesale gas marketing and gas management services to a small number of industrial and municipal customers in Minnesota. An ALLETE subsidiary, Superior Water, Light and Power Company (SWL&P), provides electricity, water and gas service to retail customers in northwestern Wisconsin. SWL&P is a full requirements wholesale customer of Minnesota Power pursuant to FERC approved rates.

FERC requires electric transmission systems to be operated in a manner that does not impede fair competition. FERC Order No. 717 is intended to prevent Transmission Providers from giving preferential treatment to their affiliated marketing function employees. In its Order No. 717, FERC altered the essential nature of the Standards of Conduct. Under the 2004 rules, the focus was on the corporate entity in which an employee worked, with the goal of separating Transmission Providers from marketing and energy affiliates. With its new approach, FERC focuses instead on the functions of individual employees, with transmission function employees directed to operate separately from marketing function employees.

To ensure fair competition, Minnesota Power must take measures so that 1) transmission employees and marketing employees function independently, 2) and disclosure of transmission function information is restricted, and 3) the wholesale transmission tariffs are not administered in an unduly discriminatory manner.

FERC requires that electric systems be operated in a manner that does not impede fair competition. This means that employees that engage in the sale of electric energy or natural gas for resale must not have access to information about the transmission systems used to move energy which is not available to everyone via the Internet, through a system known as “OASIS”. To accomplish that goal, FERC requires the following:

- Employees engaged in the transmission function must work independently from marketing function employees.
- Transmission function information is confidential and must not be shared with marketing function employees through non-public communications conducted off of the OASIS.
- No employee may act as a conduit for sharing transmission function information with marketing function employees.
- A transmission provider must provide equal access to non-public transmission function information to all its transmission function customers, affiliated and non-affiliated—except in the case of confidential customer information or Critical Energy Infrastructure Information, which must remain protected. For purposes of these Standards of Conduct, “transmission function information” is defined as any information relating to the day-to-day operations of our transmission system and/or the granting of transmission service requests. FERC has included the following as examples of transmission function information: available transmission capability, price, curtailments, storage, and balancing.
- If you have transmission function information related to our electric transmission grid, you need to be careful that you do not act as a conduit for conveying that information to anyone that works in a marketing function. The marketing functions include: Strategy and Planning.

If you believe you have divulged any transmission function information in violation of these rules, or if you have any questions about an incident where any of these requirements may not have been met by the company you must tell your supervisor, the Chief Compliance Officer, the Ethics Hotline (866-776-6951) or the Associate General Counsel. The company will post any violations on its Internet website.

The Order requires the company to post on its Internet website the job titles and job descriptions of its transmission function employees. The company must also post transfers of employees from the transmission function to the marketing function, and *vice versa*.

The Order requires the Company to post on its Internet website the names and addresses of all its affiliates that employ or retain marketing function employees. 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 Order also requires that we train employees on these Standards of Conduct and retain records of that training.

If you have any questions regarding these Standards of Conduct, please contact the Chief Compliance Officer or the Associate General Counsel. The contact information for either person can be found by clicking onto this link to Page 11.

Definitions

To understand the Standards fully and how they apply to Minnesota Power, you will need to become familiar with the following terms:

- *Transmission function employee*: An employee, contractor, consultant, or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions.
- *Transmission functions*: The planning, directing, organizing, or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.
- *Transmission function information*: Information relating to transmission functions.
- *Transmission*: 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 FERC's regulations.
- *Transmission Provider*: A Transmission Provider is any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce.
- *Transmission customer*: 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.
- *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.

- *Marketing functions*: In the case of electric 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.
- *Open Access Same Time Information System (“OASIS”)*: The Internet location where a public utility posts the information required by Part 37 of FERC’s regulations, and where it may also post the information required to be posted on its Internet website by Part 358 of FERC’s regulations.

Transmission Provider

Minnesota Power and SWL&P are members of the Midwest Independent System Operator (MISO). As defined by Section 358.3(a), the Transmission Function employees of both Minnesota Power and SWL&P perform their work within Minnesota Power’s Transmission and Power Delivery department. As required by Section 358.5, the Transmission Function employees of the Transmission Provider function independently of Marketing and Energy Affiliates, and no employee other than those in the Transmission and Power Delivery department conduct transmission system operations or reliability functions.

The prohibitions of Section 358.5 are addressed by the fact that the Transmission Function employees are in a separate location from Minnesota Power’s system control center.

Shared Facilities

As defined by Section 358.7(e)(2), Minnesota Power’s General Office Building at 30 West Superior Street constitutes the only “shared facility” between the Transmission Provider and the marketing function Affiliates. The General Office Building houses executive management and corporate support of Minnesota Power. Except for a select few senior management officials, Transmission Function employees (including the Senior Vice President of Minnesota Operations) are located at the Rowe Energy Control Center or the Herbert Service Center, and therefore housed in separate facilities from any marketing function Affiliates. The transmission control centers are secure and accessible by keycards issued to authorized personnel. Marketing Function Employees shall not have access to the system control center or similar facilities used for transmission operations or reliability functions that differ from the

access available to other transmission customers. The executive management of Minnesota Power is trained in the “no conduit rule”.

Affiliates

As defined by Section 358.3(c) Minnesota Power’s Strategy and Planning, Marketing, and Energy Supply and Asset Optimization departments perform sales for resale in interstate commerce as well as sales of electric energy and capacity and virtual transactions, financial or physical transmission rights and are Affiliates of the Transmission Provider as defined by Sections 358.3(a).

Identifying Transmission Provider Employees and Affiliates on Internet Websites

Minnesota Power must post on its Internet websites:

- 1) The job titles and job descriptions of our Transmission Function Employees;
- 2) The names and addresses of all our affiliates that employ or retain Marketing Function Employees;
- 3) A complete list of the employee-staffed facilities shared by any of our Transmission Function Employees and Marketing Function Employees, including the types of facilities shared.
- 4) Information concerning potential merger partners as affiliates that may employ or retain Marketing Function Employees, within seven days after the potential merger is announced.

Job Descriptions and Organizational Charts

The following information is provided as required by Section 358.7(f)(1), concerning job titles and descriptions for the Transmission Function employees. As noted previously, the Transmission Function employees work within the Transmission and Power Delivery business unit, and there are no separate officers and directors of that business unit. None of the transmission employees are involved in marketing or sales.

As required by Section 358.7(g), the information required to be posted as noted above will be updated within seven days of a triggering event.

As required by Section 358.7(e)(3), ALLETE will post information concerning potential merger partners within seven days of a merger announcement. Procedures are in place within the

Office of General Counsel so that the Chief Compliance Officer can implement posting the identity of the possible merger partner on the OASIS within the required seven day time period.

Independent Functioning

Except in emergency circumstances affecting system reliability, Transmission Function Employees must function independently of Marketing Function Employees. Any Marketing Function Employee is prohibited from (a) conducting transmission functions – *i.e.*, day-to-day operations, including granting or denying transmission service; and (b) having access to a system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

Minnesota Power is prohibited from permitting its Transmission Function Employees to conduct Marketing Functions.

FERC recognizes that system reliability must be maintained. Therefore, notwithstanding any other provisions in these Standards of Conduct, in emergency circumstances affecting system reliability, whatever steps are necessary to keep the system in operation may be taken. Each emergency that results in any deviation from these Standards of Conduct must be reported to FERC and must be posted within 24 hours of such deviation on the Internet websites utilized by Minnesota Power.

Information Access and No-Conduit Rule

Employees engaged in Marketing Functions may not 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, and must not have access to any information about Minnesota Power's transmission system that is not available to all users of the company website or OASIS. Marketing Function Employees are also prohibited from obtaining transmission function information through access to information not posted on the OASIS, or that is not also available to the general public without restriction. All employees, including Transmission Function employees and other employee's privy to transmission function

information, are prohibited from serving as a conduit for conveying non-public transmission function information to Marketing Function Employees.

For purposes of these Standards of Conduct, “transmission function information” is defined as any information relating to the day-to-day operations of our transmission system and/or granting of transmission service requests. FERC has included the following as examples of transmission function information: available transmission capability, price, curtailments, storage, and balancing. Generation information necessary to perform generation dispatch may be shared with a Marketing Function Employee, but cannot include specific information about third-party transmission transactions or potential transmission arrangements. In addition, crucial operating information may be shared with a Marketing Function Employee to maintain the reliability of the transmission system, but this information should be reviewed by the Business Conduct office prior to such sharing.

An employee may not share any information acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission service on the OASIS, with Marketing Function Employees, 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. A non-affiliated transmission customer may voluntarily consent, in writing, to allow the sharing of the non-affiliated customer’s information with a Marketing Function Employee. 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.

If any information is disclosed in a manner contrary to these standards, that information must be posted immediately on the Internet websites utilized by Minnesota Power, unless the information relates solely to a Marketing Function Employee’s specific request for transmission service. If a Minnesota Power employee discloses non-public customer information, critical energy infrastructure information, or any information that FERC by law has determined to be subject to limited dissemination, we must immediately post notice on its website that the information was disclosed.

When Transmission Function Employees and Marketing Function Employees are permitted to participate in joint meetings (*e.g.*, when the discussion does not involve the transfer of transmission function information or when the employees must meet to preserve reliability of the transmission system), the participants in such meetings should complete a “Marketing Contact Form” and click submit on the form for filing.

Transfers

As required by Section 358.7(f)(2), any transfer of employees between the Transmission Provider and any marketing functioning will be posted on the Company’s website as well as the OASIS; such posting will contain the required information, including the name of the transferring employee, the respective titles held while performing the marketing or transmission function, and the effective date of the transfer; and the posting will remain present for the requisite 90 day timeframe.

Minnesota Power’s Human Resource function has instituted a software system program that initiates an alert to the Associate General Counsel and to the Chief Compliance Officer of any transfer into or out of the Transmission Provider that is used to initiate any posting requirement under this Section. The Chief Compliance Officer has designated a Transmission Services Specialist to update the required Standards of Conduct information on the Company website and OASIS. The Chief Compliance Officer, Transmission Services Specialist, Manager – Energy Supply, the Associate General Counsel and a Human Resources Specialist meet regularly to monitor ongoing Standard of Conduct compliance, including ensuring that Standard of Conduct training material is provided to all new employees to the Transmission Provider or to any marketing affiliate; to ensure that the posting of any transfers of employees between the transmission provider and its marketing affiliates is properly posted; to ensure that organizational charts and job descriptions are updated; and to monitor any information sharing and any information access and disclosure issues.

Written Procedures

This revised Minnesota Power Standards of Conduct document replaces the

Standards of Conduct document issued pursuant to FERC Order No. 2004 and is maintained on the Minnesota Power website. A copy of this document has been distributed to all transmission function employees, all marketing function employees, officers, directors, supervisory employees, and any employee likely to become privy to transmission function information.

Pursuant to Section 358.7(d), Minnesota Power is in full compliance with the Standards of Conduct (Order 717) requirements as of the January 26, 2009 effective date. Previously with respect to Standards of Conduct compliance, Minnesota Power had adopted and filed on February 6, 2004 a Plan and Schedule for Implementation of Order No. 2004 that included action items, milestone dates, and responsible persons. Affidavits of attendance are executed by employees attending the training sessions.

Chief Compliance Officer

Pursuant to Section 358.8(c)(2), Bradley W. Oachs ALLETE Senior Vice President & President Regulated Operations, is designated as Minnesota Power's Chief Compliance Officer responsible for implementation of the Standards of Conduct. He may be contacted as noted below:

Bradley W. Oachs
ALLETE Senior Vice President & President Regulated Operations
30 West Superior St
Duluth, MN. 55802
(218) 355-3906
boachs@mnpower.com

Non-discrimination Requirements

The Transmission Provider is aware of, and has procedures in place to ensure continued compliance with, the non-discrimination requirements mandated by Section 358.4.

Tariff Implementation

Where tariff provisions relating to the sale or purchase of open access transmission service do not permit discretion, they must be strictly enforced. Where tariff provisions relating to the sale or purchase of open access transmission service permit discretion, they must be applied in a fair and impartial manner that treats all transmission customers in a not unduly

discriminatory manner. A written log is maintained, available for FERC audit, detailing the circumstances and manner in which discretion was exercised under any terms of a tariff relating to the sale or purchase of open access transmission service. The information contained in this log is posted on the Internet website within 24 hours of when discretion is exercised under any terms of the tariff.

Employees must not give preference to our own Marketing Functions over any other wholesale customer regarding the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing). All similar requests for transmission service must be processed in the same manner and within the same period of time.

Separate Books and Records

All Transmission Providers maintain their books of account and records as prescribed by FERC regulations separately from those of its other affiliates, and these will be made available for FERC inspections.

Training of Employees

All Transmission Function Employees and Marketing Function Employees, must be trained on these Standards of Conduct annually. New employees fitting any of the aforementioned categories must be trained within 30 days of the time that their employment commences. Employees are required to certify that they have been trained.

Compliance

These Standards of Conduct cannot prescribe rules for every case. Specific procedures related to posting requirements are contained in appendices to this document. The following table details the deadlines for posting information on the OASIS.

| | |
|---------------------------|--|
| Job description changes | Within 7 business days |
| Potential merger partners | Within 7 business days of announcement |

| | |
|---|---|
| Reporting prohibited disclosures | Immediately |
| Reporting emergency deviations from these Standards | Within 24 hours |
| Posting acts of discretion under the tariff | Within 24 hours of exercise of discretion |
| Posting discounts | When contractually binding |
| Reporting employee transfers | When effective for 90 days posting |

This document should be used as a guide. If these Standards or the related procedures do not address your concern or question, you should first discuss it with your supervisor. If that does not resolve the issue or you suspect there has been a violation, contact anyone listed below.

Contact Information

Bradley W. Oachs
 ALLETE Senior Vice President & President
 Regulated Operations
 30 West Superior St
 Duluth, MN. 55802
 (218) 355-3906
boachs@mnpower.com

Associate General Counsel
 Christopher D. Anderson
 (218) 723-3961
canderson@allete.com

Reporting Suspected Violations

If you believe there has been a violation of the FERC Standards of Conduct, you should first discuss it with your supervisor. If that is not possible or you feel that person may be involved, you should contact one of the individuals listed under Contact Information in this document. If you are reporting an incident of disclosure of prohibited information, you need to report this as soon as you become aware of it.

Changes to Employee Job Descriptions

The Human Resources Oracle software is coded to alert HR, Legal Services and the Chief Compliance Office of any employee transfer into or out of the Transmission Provider. These reports are reviewed and any required postings are made.

If a change includes the addition of a new title, the job description document will be updated. The new title will receive a short description covering the duties and responsibilities of the position.

Once all updates have been completed, the documents will be forwarded to Records Services for posting on the Company internet and OASIS. Past documents will be archived by the Records Services Department in compliance with FERC regulations.

Reporting Emergency Deviations

In emergency situations, when system reliability is jeopardized, whatever steps necessary to maintain system reliability may be taken. Any actions taken which violate these Standards of Conduct must be reported and posted *within 24 hours*. To report any such deviation, please contact the Chief Compliance Officer, who will be responsible for getting the information posted on the Internet website within 24 hours.

Potential Mergers

Legal Services will provide Records Services contact with information to be posted on the Internet website within 7 days of the announcement of a potential merger.

Reporting Prohibited Disclosure of Transmission Function Information

If information is disclosed by a Transmission Function Employee contrary to the intent of the Standards of Conduct requirements, that disclosure (and, in some cases, the disclosed information) must be posted on the Internet website *immediately*. If you believe there has been an improper disclosure of information, you should contact one of the individuals listed under Contact Information in this document.

Procedure of Reporting the Application of Discretion in Tariff-based Transactions

Minnesota Power rarely exercises discretion when providing service under FERC filed rates. On occasion, customer needs, changing market conditions, and other circumstances result in deviations from the filed rate or process outlined in tariffs. When this occurs, it is Minnesota Power's practice to make the event transparent to the public.

One area where Minnesota Power employees apply discretion is in transmission price discounting on OASIS.

When discretion (other than price discounting) is applied, a description is written by the employee and submitted to the webmaster for posting to the OASIS within 24 hours.

Procedures for Documenting Permitted Conversations

Transmission Function Employees and Marketing Function Employees may exchange certain non-public Transmission Function information required for compliance with reliability standards approved by FERC or for maintaining or restoring operation of the transmission system or generating units, or that may affect the dispatch of generating units. Minnesota Power 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 record may be handwritten or typed notes, electronic records, such as e-mails and text messages, recorded telephone exchanges, and the like. Records of permittee conversations must be retained for five years, and must be made available to FERC upon request.

The FERC Standards of Conduct reminder message should be recited at the beginning of all formal joint meetings that include both Transmission Function Employees and Marketing Function Employee.

The following procedure has been developed to document all such meetings. The Transmission Function employee should go to the Power Delivery Home page located on the Stream; click on the Marketing Contact Form.

- Enter the attendees in the form;
- Note the subjects discussed;
- Click Submit.

If transmission function information must be discussed at a joint meeting:

- Ask the participants from the Marketing Function to excuse themselves from the meeting or determine whether there is an exception to the independent functioning or no-conduit rule that may apply;
- Note in “Topics Discussed” that the participants from the Marketing Function left the room or explain the rationale for why they were permitted to continue the discussion.
- **DO NOT** include any specific transmission function information in the minutes;
- Note when or if the Marketing Function participants re-joined the meeting.

Marketing Contact



The following marketing contact is being reported as part of Minnesota Power's Standards of Conduct compliance. The information will be kept on file by the Standard of Conduct committee for FERC Standards of Conduct auditing purposes.

Reported by *

Date of contact *

 

Length of meeting (to nearest 15 minutes) *

Minutes taken? *

Yes

No

Individual(s) contacted. Put each contact on separate line. *

Reason for meeting and topics discussed *

Submit