

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 369 DATED FEBRUARY 18, 2000

CODE OF CONDUCT FOR UTILITIES

WITH NONREGULATED ACTIVITIES OR AFFILIATES

A code of conduct (“this Code”), governs a public utility company’s activities relative to the sharing of information, databases, and resources between its employees or affiliates involved in the marketing or provision of nonregulated services and its employees or affiliates involved in the provision of regulated services. This Code shall apply to any jurisdictional utility, with certain exceptions, that engages in any nonregulated activity or conducts any business with a nonregulated division, subsidiary, or affiliate.

The following are exempted from this Code: telecommunications utilities subject to Federal Communications Commission jurisdiction as to interstate matters; utilities organized as non-profit corporations including cooperatives, associations, or districts; and utilities with gross revenues of less than \$10 million.

Definitions

- 1) “Affiliate” is considered to be any party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the utility. For purposes of this Code, an affiliate includes a division or subsidiary.

- 2) “Arms Length” is defined as the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction.
- 3) “Control” is considered to be the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity through ownership, by contract, or otherwise.
- 4) “Cost Allocation Rules” refer to the guidelines issued in the Commission’s December 20, 1999 Order in Administrative Case No. 369.
- 5) “Utility” as referred to herein is defined as provided for under KRS 278.010.

Code of Conduct

1. Nothing in this Code is intended to affect or modify the obligations or duties imposed upon a utility or the utility’s affiliates under orders or regulations of a federal agency with preemptive rights. The utility shall file with the Commission a notice of any provision in this Code that conflicts with that of a federal agency such that compliance with this Code and the federal requirement is impossible.

2. A utility and its affiliates shall be separate corporate entities and shall maintain separate books and records in accordance with its cost allocation manual developed to comply with the Commission’s Cost Allocation and Affiliate Transaction Rules.

3. Any utility that engages in nonregulated activities directly rather than through an affiliate shall separately account for all investments, revenues, and expenses in accordance with the requirements of the appropriate Uniform System of

Accounts and the utility's cost allocation manual developed to comply with the Commission's Cost Allocation and Affiliate Transaction Rules.

4. A utility may not provide advertising space in its billing envelope to its affiliates or for its nonregulated activities unless it offers the same to competing service providers on the same terms it provides to its affiliate. This rule applies to competitive services only.

5. A utility may not attempt to persuade customers to do business with its affiliates by offering rebates or discounts in combination with regulated utility services.

6. No utility employee shall share any customer information with its affiliate unless such information is readily publicly available or is simultaneously made publicly available.

7. All dealings between a utility and its affiliate shall be at "arms length."

8. A utility may carry out joint research and development with an affiliate engaged in competitive activities subject to cost allocation guidelines.

9. Employees transferring from the utility to an affiliate may not take with them competitively sensitive information or material.

10. Where a utility offers a nonregulated service, marketing employees shall not have access to customer information provided to order takers.

11. Utilities may not provide any type of preferential treatment to its affiliates or customers of its affiliates to the detriment of a competitor or customer.

12. If a utility receives a request for a recommendation from a customer seeking a nonregulated service which is offered by the utility's affiliate, or by the utility

itself, the utility shall notify the customer that competing suppliers of that service exist, if it mentions its own affiliate or, that it provides the service.

13. The utility name, trademark, brand, or logo shall not be used by an affiliate unless a disclaimer is used. The disclaimer shall be prominently displayed and shall specifically state that the affiliate is a nonregulated affiliate. The form, content, and appearance of the disclaimer shall be pre-approved by the Commission.

14. A utility shall not allow an affiliate to obtain credit under any arrangement that would encumber or pledge any utility assets or earnings.

15. Utilities shall inform the Commission of all new nonregulated activities by the utility or an affiliate within 10 days after the start of the activity.

16. The Commission may require that the utility file periodic reports of information related to affiliate relationships when necessary to monitor compliance with these guidelines.

17. A utility may request and be granted an exemption from any provision of the Code upon showing that an exemption would not adversely impact regulated rates or service.