

PaulHastings

Paul, Hastings, Janofsky & Walker LLP
1299 Pennsylvania Avenue, NW, 10th Floor, Washington, DC 20004-2400
telephone 202-508-9500 / facsimile 202-508-9700 / internet www.paulhastings.com

Atlanta
Beijing
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
Stamford
Tokyo
Washington, D.C.

(202) 508-9531
billscharfenberg@paulhastings.com

February 9, 2004

BY ELECTRONIC FILING

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *CED Rock Springs, Inc.*, Docket No. TS04-____-000
FERC Order No. 2004 February 9th Informational Filing

Dear Secretary Salas:

Pursuant to Order No. 2004,¹ Section 358.4(e)(1) of the Commission's regulations,² and the Commission's subsequent issuances in Docket No. RM01-10 providing guidance on informational filings and implementation procedures for standards of conduct under Order No. 2004,³ CED Rock Springs, Inc. ("CEDRS") hereby submits this informational filing. This informational filing also has been posted on CEDRS' Internet website and is accessible through a hyperlink on the PJM Open Access Same-time Information System.

If you have any questions regarding this submittal, please do not hesitate to contact the undersigned.

Respectfully submitted,

/s/ William P. Scharfenberg

William P. Scharfenberg
for PAUL, HASTINGS, JANOFSKY & WALKER LLP

Attorneys for
CED Rock Springs, Inc.

¹ Standards of Conduct for Transmission Providers, FERC Stats. & Regs. Vol. III, Regulation Preambles ¶ 31,155 (2003), Order No. 2004, 68 Fed. Reg. 69,134 (Dec. 11, 2003) (rehearing pending) ("Order No. 2004").

² 18 C.F.R. § 358.4(e)(1).

³ Standards of Conduct for Transmission Providers, 106 FERC ¶ 61,017 (2004) ("Guidance on Information Filings and Implementation Procedures for Standards of Conduct Under Order No. 2004," issued January 16, 2004); Standards of Conduct for Transmission Providers, Docket No. RM01-10-000 ("Additional Guidance on Electronic Submission of Informational Filings and Requests Under Order No. 2004," issued January 27, 2004).

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

CED Rock Springs, Inc.

Docket No. TS04-____-000

ORDER NO. 2004 FEBRUARY 9TH INFORMATIONAL FILING

On November 25, 2003, the Federal Energy Regulatory Commission (“FERC” or the “Commission”) issued Order No. 2004,⁴ establishing standards of conduct that apply uniformly to all Transmission Providers,⁵ including natural gas pipelines and transmitting public utilities. Pursuant to Order No. 2004⁶ and Section 358.4(e)(1) of the Commission’s regulations,⁷ by February 9, 2004,⁸ each Transmission Provider is required to file with the Commission and post on the Open Access Same-time Information System (“OASIS”) or Internet website a plan for implementing the standards of conduct (the “February 9th Informational Filing”).

Subsequently, on January 16, 2004, the Commission issued an order in Docket No. RM01-10 providing additional guidance on the types of information that should be

⁴ Standards of Conduct for Transmission Providers, FERC Stats. & Regs Vol. III, Regulation Preambles ¶ 31,155 (2003), Order No. 2004, 68 Fed. Reg. 69,134 (Dec. 11, 2003) (rehearing pending) (“Order No. 2004”).

⁵ Unless otherwise defined herein, all capitalized terms have the meaning given to them in Order No. 2004 and Part 358, Standards of Conduct, of the Commission’s Regulations.

⁶ See Order No. 2004 at P 4.

⁷ 18 C.F.R. § 358.4(e)(1) (2004).

⁸ 60 days after publication in the Federal Register on December 11, 2003.

included in the February 9th Informational Filings.⁹ Specifically, the January 16th order instructed that the February 9th Informational Filings should include:¹⁰

1. A plan for implementing the standards of conduct by June 1, 2004, identifying:

a. Whether the Transmission Provider is currently in compliance with the requirements of Order No. 2004;

b. Whether structural and/or organizational changes need to be made before June 1, 2004 to comply with Order No. 2004; and

c. The general measures (without details) the Transmission Provider expects to take prior to June 1, 2004 to comply with Order No. 2004, *e.g.*, providing training to its employees.

2. Projected costs of complying with the standards of conduct, broken down for each element of compliance, *e.g.*, independent functioning or separation of functions, information disclosure prohibitions, and posting requirements.

3. The scope of the Transmission Provider's waiver or exemption from all or part of Parts 37 and 161 of the Commission's regulations, if any.

In compliance with Order No. 2004, Section 358.4(e)(1) of the Commission's regulations, and the Commission's subsequent issuances providing guidance on the February 9th Informational Filings, CED Rock Springs, Inc. ("CEDRS") hereby submits this informational filing, addressing each of the above elements. In addition, this

⁹ Standards of Conduct for Transmission Providers, 106 FERC ¶ 61,017 (2004) ("Guidance on Information Filings and Implementation Procedures for Standards of Conduct Under Order No. 2004," issued January 16, 2004)

¹⁰ *Id.* at PP 4-5.

informational filing also has been posted on CEDRS' Internet website and is accessible through a hyperlink on the PJM OASIS.

I. BACKGROUND

CEDRS is a wholly owned subsidiary of Consolidated Edison Development, Inc. ("CED"), which is a subsidiary of Consolidated Edison, Inc. ("CEI"), a publicly-traded utility holding company.¹¹ CEDRS was formed solely to own two generation units (the "CEDRS Units") and their appurtenant facilities at the Rock Springs Generation Facility (the "Facility") located in Rock Springs, Maryland. CEDRS and Old Dominion Electric Cooperative ("ODEC") (the owner of two other generation units at the Facility) co-own a 500-kV interconnection substation and two related 900-foot 500-kV interconnection lines (the "Interconnection Facilities") that interconnect the Facility to the PJM transmission system. The Interconnection Facilities are considered part of the PJM transmission system, and CEDRS and ODEC are transmission-owning members of PJM.¹² CEDRS falls within the definition of "Transmission Provider" in Order No. 2004 solely because of its ownership of these limited Interconnection Facilities.

CEDRS has contracted with affiliate Con Edison Energy, Inc. ("CEE") to market all the power generated by the CEDRS Units. Operation and maintenance ("O&M") services for the CEDRS Units (as well as the ODEC Units) and for the Interconnection Facilities are performed by an affiliate service company, CED Operating Company,

¹¹ Three other Transmission Provider subsidiaries of CEI include Consolidated Edison Company of New York, Inc. ("ConEdison), Orange and Rockland Utilities, Inc. ("O&R") and Rockland Electric Company ("RECO") (collectively, the "Companies"). The Companies are jointly submitting a separate Order No. 2004 informational filing today.

¹² Even though CEDRS is a PJM member, it continues to physically operate the Interconnection Facilities at the direction of PJM operators, and therefore, is subject to the standards of conduct pursuant to the Commission's statement in Order No. 2004 at P 17.

L.L.C. (“CEDO”). All of CEE’s employees are located in White Plains, New York, which is almost 200 miles away from the CEDRS site. As described below, the existing Order No. 889¹³ standards of conduct and separation of functions safeguards already in place ensure that CEE employees do not have access to transmission and related confidential information from CEDRS or CEDO.

As the O&M service contractor for the CEDRS Units and Interconnection Facilities, CEDO has no ultimate authority over any operations of the Facility. CEDO provides the generation station employees that perform the necessary generation plant activities and transmission/substation related activities to run the Facility and the Interconnection Facilities at the direction of others. All responsibilities related to the transmission/substation related activities of the Interconnection Facilities are at the direction of PJM operators. The employees of CEDO performing generation plant operations for CEDRS (or ODEC) function independently of any employees of CEDRS (or ODEC) or its affiliates engaged in marketing, sales, or brokering of natural gas or electric energy, as well as the employees of any “Energy Affiliate” of CEDRS, as defined in Order No. 2004.

Physically, the Facility’s generation plant controls and transmission/substation related controls are housed in one building, but in two separate rooms.¹⁴ The security of

¹³ Open Access Same-Time Information System (Formerly Real-Time Information Network) and Standards of Conduct, Order No. 889, 61 Fed. Reg. 21,737 (May 10, 1996), FERC Stats. & Regs., Regulations Preambles January 1991-1996 ¶ 31,035 (April 24, 1996); Order No. 889-A *order on reh’g*, 62 Fed. Reg. 12,484 (March 14, 1997), III FERC Stats. & Regs. ¶ 31,049 (March 4, 1997); Order No. 889-B, *reh’g denied*, 62 Fed. Reg. 64,715 (December 9, 1997), III FERC Stats. & Regs. ¶ 31,253 (November 25, 1997).

¹⁴ See *CED Rock Springs, Inc., et al.*, 101 FERC ¶ 61,325, at P 22 (2002) (In this order confirming CEDRS’ compliance with Open Access Transmission Tariff (“OATT”) and OASIS requirements, the Commission stated that CEDRS’ compliance with the Order No. 889 standards of conduct did not

(continued...)

transmission and other confidential information within the transmission/substation related control room is protected by various security measures, including, but not limited to, secure locked entry for the transmission control room and communications room, password protected computer files and firewalls on certain computer systems.

On December 20, 2002, the Commission issued an order¹⁵ confirming that CEDRS (and ODEC) had fulfilled OATT and OASIS requirements under Order Nos. 888¹⁶ and 889. However, the Commission made clear that CEDRS was subject to the Order No. 889 standards of conduct.¹⁷ In compliance with the Commission's order, on April 17, 2003, CEDRS filed its written procedures implementing the Order No. 889 standards of conduct in Docket No. OA03-6-000.

II. COMMUNICATIONS

Communications regarding this informational filing should be addressed as follows, and the following names should be included on the official service list in this proceeding:

(...continued)

necessitate construction of two buildings to house the Facility's generation plant and transmission/substation related controls).

¹⁵ *Id.*

¹⁶ Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, 61 Fed. Reg. 21,540 (1996), FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, 62 Fed. Reg. 12,274 (1997), FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order 888-B, 62 Fed. Reg. 64,688, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in pertinent part, Transmission Access Policy Study Group, et al. v. FERC*, 225 F.3d 667 (D.C. Cir. 2000); *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002) ("Order No. 888" or "Order No. 888-A" or "Order No. 888-B" or "Order No. 888-C").

¹⁷ *See CED Rock Springs, Inc., et al.*, 101 FERC at P 1.

Andrew Scher, Esq.
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, New York 10003
(212) 460-6209 (telephone)
(212) 677-5849 (facsimile)
schera@coned.com

William D. DeGrandis
William P. Scharfenberg
Paul, Hastings, Janofsky & Walker
1299 Pennsylvania Ave., N.W.
Tenth Floor
Washington, D.C. 20004
(202) 508-9550 (telephone)
(202) 508-9700 (facsimile)
billdegrandis@paulhastings.com
billscharfenberg@paulhastings.com

Jeffrey Delgado
Consolidated Edison Development, Inc.
111 Broadway
16th Floor
New York, New York 10006
(212) 393-9242 ext. 338 (telephone)
(212) 393-9282 (facsimile)
delgadojef@coneddev.com

III. PLAN FOR IMPLEMENTING THE STANDARDS OF CONDUCT BY JUNE 1, 2004

A. Structurally and Organizationally CEDRS is Currently in Compliance with the Requirements of Order No. 2004

As described above, in order to comply with the Commission's Order No. 889 standards of conduct, the employees of the O&M service contractor, CEDO, performing transmission/substation related activities, function independently of any employees of CEDRS or its affiliates that are engaged in marketing, sales, or brokering of natural gas or electric energy. These CEDO employees also function independently of any employees of any entity meeting the definition of a CEDRS "Energy Affiliate," as defined in Order No. 2004. Furthermore, as discussed above, CEDRS has already implemented security measures to ensure the security of transmission and other confidential information within the transmission/substation related control room at the Facility.

Accordingly, CEDRS' operations are already structured to meet the Order No. 2004 goals and objectives. CEDRS does not anticipate that any structural and/or organizational changes need to be made to its operations at the Facility before June 1, 2004 to comply with Order No. 2004. Set forth below are the measures that CEDRS plans to take to implement the new and additional Order No. 2004 requirements generally relating to OASIS postings of job descriptions and organization charts, training and posting of procedures, where necessary.

B. General Measures CEDRS Will Implement Prior to June 1, 2004 to Comply with Order No. 2004

Below CEDRS describes its plans to:

- Appoint a Chief Compliance Officer;
- Establish written procedures for the implementation and future monitoring of CEDRS' compliance with the Commission's standards of conduct;
- Train employees to be cognizant of and comply with the requirements of the Commission's standards of conduct; and
- Comply with the Commission's requirements relating to the posting on OASIS/the internet of organization charts, employee job descriptions and employee transfers.

Attachment A to this informational filing contains the steps that CEDRS plans to follow to meet the Order No. 2004 requirements by June 1, 2004.

a. Appoint a Chief Compliance Officer

In compliance with Order No. 2004 and Part 358.4(e)((6) of the Commission's regulations, CEDRS will appoint a Chief Compliance Officer who will be responsible for

standards of conduct compliance. The individual appointed will have the necessary qualifications to demonstrate to CEDRS' employees the seriousness of CEDRS' commitment to complying with the Commission's requirements and the seriousness with which those employees must treat their responsibilities under the standards of conduct.

b. Establish Written Procedures for the Implementation and Future Monitoring of CEDRS' Compliance with the Commission's Standards of Conduct

(1) Commission Requirements

Part 358.4(e)(3) of the Commission's regulations requires that the "Transmission Provider must post on the OASIS or Internet website, current written procedures implementing the standards of conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section by June 1, 2004 or within 30 days of becoming subject to the requirements of Part 358." Further, the Commission requires that employees be given copies of the written procedures as part of the training effort.¹⁸

(2) Development and Drafting of the Written Procedures

Consistent with Order No. 2004, CEDRS will develop written procedures that do not merely restate the regulations or incorporate them by reference, but "explain the measures [CEDRS will] use to implement the standards of conduct, *e.g.*, how transmission information and confidential information is kept secure, whether standards of conduct have been distributed to employees, whether employees have been offered

¹⁸ See 18 C.F.R. § 358.4(e)(4).

training on the standards of conduct, and whether employees are required to read sign acknowledgement forms.”¹⁹ Such procedures will also be provided to CEDO, given that CEDO, as explained above, provides O&M services for the CEDRS Units and the Interconnection Facilities.

CEDRS will arrange for the posting of these written standards of conduct on its Internet website and they will be accessible through a hyperlink on PJM’s OASIS, in a manner consistent with that of the other Transmission Providers in PJM.

CEDRS anticipates that the written procedures will address, among other areas:

- Compliance with the “No Conduit” rule;
- Protection of transmission, confidential, and merchant information, including the use of password protected computers and locked file cabinets as means of keeping certain information secret;
- Use of the CEDRS computer systems;
- OASIS/internet posting of job descriptions and organization charts, including the initial and future update of such job descriptions and organization charts; and
- Training.

¹⁹ Order No. 2004 at P 136.

c. Employee Training

(1) FERC's Training Requirements

Order No. 2004 requires the training of CEDRS' employees with respect to the standards of conduct. Order No. 2004 also requires that employees receive written procedures detailing how CEDRS will implement and monitor compliance with the standards of conduct and sign an affidavit indicating that they have been trained.

(2) Establish Training Team

In coordination with the efforts of the Companies, CEDRS' Chief Compliance Officer will ensure that CEDRS is represented on the training team that has been assembled by Con Edison and other CEI-owned groups, and is comprised of representatives from Law, Auditing, Information Resources, Human Resources and The Learning Center (Con Edison's training facility). Among other things, the team will develop the training course and plan the logistics of how, where and when training of CEDRS, CEDO, and CEE employees will be conducted.

(3) Development of the Training Program

In order to develop the training course and plan the logistics of training all of the necessary employees, the training team will:

- Develop training modules;
- Develop electronic training system;
- Develop training schedule; and
- Develop electronic method of attestation.

(4) Training Schedule

CEDRS plans to complete training of those employees covered by the Commission's regulations by the June 1, 2004 target date.

d. Posting Requirements

(1) FERC's OASIS/Internet Posting Requirements

Order No. 2004 and Part 358.4(b) of the Commission's regulations require that CEDRS greatly expand its current organizational posting requirements, showing among other things, more detail on how CEDRS fits into the CEI owned groups and CEDRS' internal organizational structure.

(2) Use of the PJM OASIS

CEDRS is a transmission-owning member of PJM that fulfills its Order No. 888 OATT and Order No. 889 OASIS requirements through its participation in PJM and its reliance on the PJM OATT and OASIS.²⁰ As required by Order No. 2004 and Part 358 of the Commission Regulations, CEDRS will post its organizational charts and other materials on its Internet website and they will be accessible through a hyperlink on the PJM OASIS, in a manner consistent with that of the other Transmission Providers in PJM.

(3) Establish Team

CEDRS' Chief Compliance Officer will designate a team comprised of representatives from various functional areas, including representatives from Human

²⁰ See *CED Rock Springs, Inc., et al.*, 101 FERC ¶ 61,325 (2002).

Resources and Information Resources, which is responsible for meeting the Commission's posting requirements.

(4) Development of Job Descriptions and Organization Charts

This team will coordinate the development of all necessary job descriptions and organization charts and ensure that such charts and job descriptions are posted on the internet by the June 1, 2004 deadline.

(5) Physical Posting Process

In order to facilitate the timely posting of job descriptions and organization charts, the Chief Compliance Officer will designate an information systems employee who will be responsible for ensuring that the materials are posted on CEDRS' website and accessible through a hyperlink on the PJM OASIS in a manner consistent with that of the other Transmission Providers in PJM.

IV. PROJECTED COMPLIANCE COSTS

Based on CEDRS' understanding of the Order 2004 requirements, CEDRS currently estimates that the costs of compliance will be approximately as set forth below. These estimates are subject to change as CEDRS proceeds with its implementation efforts. In addition, the costs of implementation may be significantly affected by the Commission's responses to the matters pending rehearing.

CEDRS does not anticipate incurring any costs regarding the separation of the merchant and transmission functions nor with respect to the development of measures to

protect the security of transmission information because CEDRS previously took these actions in response to Order No. 889.

a.	Posting and Related Requirements	\$12,000
b.	Training	\$35,000
c.	Development of procedures	\$25,000
	Total Estimate	\$72,000

V. CEDRS DOES NOT HAVE A WAIVER OR EXEMPTION

CEDRS does not have a waiver or exemption from all or part of Parts 37 and 161 of the Commission's regulations.²¹

²¹ See *CED Rock Springs, Inc., et al.*, 101 FERC ¶ 61,325, at P 22 (2002) (Order confirming compliance with OATT and OASIS requirements and denying partial waiver of the standards of conduct requirement of Order No. 889).

VI. CONCLUSION

WHEREFORE, for the foregoing reasons, CEDRS respectfully asserts that its February 9th informational filing is fully consistent with the Commission's requirements under Order No. 2004 and Part 358 of the Commission's regulations.

Respectfully submitted,

/s/ William D. DeGrandis

William D. DeGrandis
William P. Scharfenberg
Paul, Hastings, Janofsky & Walker LLP
1299 Pennsylvania Avenue, N.W.
Tenth Floor
Washington, D.C. 20004-2400
Telephone: (202) 508-9500

Attorneys for
CED Rock Springs, Inc.

Dated: February 9, 2004

Attachment A

Order 2004 February 9th Informational Filing – Implementation Steps

Action Item

1. File Compliance Plan
2. Appoint Chief Compliance Officer
3. Written Procedure Development
 - a. Draft procedures
 - b. Post/distribute procedures
4. Employee Training
 - a. Establish training team
 - b. Develop training program
 - c. Complete training
5. OASIS/Internet Posting Requirements
 - a. Establish posting team
 - b. Develop required organizational charts
 - c. Develop job descriptions
 - d. Post job descriptions/organizational charts