



LIBERTY GAS STORAGE, LLC.

COMPLIANCE PLAN

FERC Standards of Conduct
for
Transmission Providers

April 01, 2011

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I. INTRODUCTION

This document details Liberty Gas Storage, LLC.'s ("Liberty") compliance procedures (hereafter, "compliance plan") for the Standards of Conduct for Transmission Providers, as required by §358.8(2) of the regulations of the Federal Energy Regulatory Commission ("Commission"), which were adopted in Order Nos. 717, 717-A and 717-B, et seq. (hereafter, the "Order" or "Order 717"). Liberty Gas Storage is a Transmission Provider and engages in transportation transactions with its marketing affiliate, Sempra LNG Marketing.

In sections A and B of this Introduction, Liberty summarizes several compliance mechanisms and guidelines that are central to its compliance effort. Thereafter, the Compliance Plan presents a rule-by-rule listing from Order 717 with a subsequent discussion of the procedures and mechanisms Liberty has established to ensure compliance with the rules. As is demonstrated in this document and the related internet website, Liberty is in full compliance with the Commission's rules and this document presents the most current information regarding its implementation and compliance efforts.

A. OVERSIGHT

Liberty is a subsidiary of Sempra Pipelines & Storage, a holding company within the Sempra Energy family. Liberty has dedicated personnel that oversee compliance, however, compliance and ethics are company-wide functions. All officers are responsible for ensuring their organizations are in compliance with all applicable laws, regulations, and policies, and that the necessary mechanisms are in place to achieve such compliance. The Sempra Pipelines & Storage President & CEO also serves as Liberty's Chief Compliance Officer. Additionally, the President and Chief Operating Officer of Sempra Energy, Sempra Pipelines & Storage's parent company, serves as the Chief Compliance Officer for Sempra Energy as a whole. Corporate compliance is evaluated through a number of processes, including but not limited to Board Meetings, Corporate Compliance Committee Meetings, and internal audits.

B. TRAINING AND COMMUNICATIONS

An ongoing, comprehensive education and training program is a primary means for ensuring compliance with the Order. Transmission function personnel, marketing function personnel, officers, directors, supervisory employees, and any other personnel likely to become privy to transmission function information are trained via a comprehensive web-based training module. The training is

interactive and employees access it utilizing a unique password. Employees receive certification after they have successfully completed the training. The anti-conduit attestation is incorporated into the training, and records of training are recorded in a database. Order 717 training will be done on an annual basis and within the required 30 days for newly hired personnel. Additionally, consultants, agents and contractors that act as TFEs, MFEs, or have access to non-public transmission information will be provided training materials.

Liberty's compliance personnel maintain an intranet web site where employees can access a variety of information regarding the Order, including: a complete copy of the Order, FERC-related decisions and information, the FERC Order 717 compliance plan, and other related information such as training materials.

II. Part 358 -- STANDARDS OF CONDUCT

A. § 358.1 Applicability

- (a) *This part applies to any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of Part 284 of this chapter and conducts transmission transactions with an affiliate that engages in marketing functions.*
- (b) *This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce and conducts transmission transactions with an affiliate that engages in marketing functions.*
- (c) *This part does not apply to a public utility transmission provider that is a Commission-approved Independent System Operator (ISO) or Regional Transmission Organization (RTO). If a public utility transmission owner participates in a Commission approved ISO or RTO and does not operate or control its transmission system and has no access to transmission function information, it may request a waiver from this part.*
- (d) *A transmission provider may file a request for a waiver from all or some of the requirements of this part for good cause.*

Procedures and Mechanisms for Compliance

See Procedures and Mechanisms for Compliance in §358.3 Definitions.

B. § 358.2 General Principles

- (a) *A transmission provider must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.*
- (b) *A transmission provider's transmission function employees must function independently from its marketing function employees, except as permitted in this part or otherwise permitted by Commission order.*

- (c) *A transmission provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to the transmission provider's marketing function employees.*
- (d) *A transmission provider must provide equal access to non-public transmission function information to all its transmission function customer, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information.*

Procedures and Mechanisms for Compliance

Liberty Interstate Pipeline ("Liberty") employees engaged in transmission system operations ("Transmission Function Employees") shall function independently of marketing function employees of its Marketing Affiliates (affiliates that conduct transmission transactions on Liberty's system). Therefore, Transmission Function Employees will not engage in marketing function activities. Similarly, Marketing Function Employees will not conduct transmission system operations or have access to the Transmission System Control Room, or similar facilities used for Transmission Operations (or Reliability functions), in any way that differs from the access available to other open access Transmission Customers except for allowed deviations. Liberty will treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis and will not share non-public information related to transmission operations with any transmission customer. For a listing of Sempra Pipeline & Storage's Transmission Providers and Marketing Affiliates, see Procedures and Mechanisms for Compliance under §358.3 Definitions.

C. § 358.3 Definitions

- (a) Affiliate of a specified entity means:
1. *Another person that controls, is controlled by, or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a function unit.*
 2. *For any exempt wholesale generator (as defined under 366.1 of this chapter), affiliate shall have the meaning set forth in 366.1 of this chapter, or any successor provision.*
 3. *"Control" as used in this definition 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. A voting interest of 10 percent or more creates a rebuttable presumption of control.*

- (b) Internet website refers to the Internet location where an interstate natural gas pipeline or a public utility posts the information, by electronic means, required under this part 358.
- (c) Marketing functions means:
1. in the case of 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, including sales of electric energy made by providers of last resort (POLRs) acting in their POLR capacity;
 2. In the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:
 - i. Bundled retail sales,
 - ii. Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
 - iii. Sales of natural gas solely from a seller's own production,
 - iv. Sales of natural gas solely from a seller's own gathering or processing facilities, and
 - v. Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.
- (d) Marketing functions employee means 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.
- (e) Open Access Same Time Information System or OASIS refers to the Internet location where a public utility posts the information required by part 37 of this chapter, and where it may also post the information required to be posted on its Internet website by this part 358.
- (f) Transmission means 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 this chapter; and natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of this chapter.
- (g) Transmission customer means 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 request for transmission service or for information regarding transmission.

- (h) Transmission functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.
- (i) Transmission function employee means an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions.
- (j) Transmission function information means information relating to transmission functions
- (k) Transmission provider means:
1. Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or
 2. Any interstate natural gas pipeline that transports gas for others pursuant to subparts G or G part 284 of this chapter.
 3. A transmission provider does not include a natural gas storage provider authorized to charge market-based rates.
- (l) Transmission service means the provision of any transmission as defined in 358.3(f).
- (m) Waiver means the determination by a transmission provider, if authorized by its tariff, to waive any provisions of its tariff for a given entity.

Procedures and Mechanisms for Compliance

Transmission Providers (“TP”)

Liberty Gas Storage, LLC (“Liberty”)

Liberty provides open-access, firm and interruptible transportation services via a pipeline header system with interconnections to six interstate pipelines.

ProLiance Transportation and Storage-Liberty, LLC (“PT&S”) has a 25% ownership interest in Liberty. SEI Storage Corp. (“SEI Storage”) owns the remaining 75% ownership interest. Sempra Pipelines & Storage has primary responsibility for the operation of Liberty.

Marketing Affiliates (“MA”)

Sempra LNG Marketing, LLC

Sempra LNG Marketing, LLC conducts transportation transactions on Liberty and is, therefore, an MA of Liberty.

D. § 358.4 Non-Discrimination Requirements

- (a) *A transmission provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if the tariff provisions do not permit the use of discretion.*
- (b) *A transmission provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a not unduly discriminatory manner, if the tariff provisions permit the use of discretion.*
- (c) *A transmission provider may not, through its tariffs or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).*
- (d) *A transmission provider must process all similar requests for transmission in the same manner and within the same period of time.*

Procedures and Mechanisms for Compliance

Liberty administers all of its tariffs provisions in a non-discriminatory manner and in accordance with Order 717. Information about Liberty's Tariff can be found at:

<http://www.gasnom.com/ip/liberty/>

E. § 358.5 Independent functioning rule.

- (a) *General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.*
- (b) *Separation of function.*
 - 1. *A transmission provider is prohibited from permitting its marketing function employees to:*

- i. *Conduct transmission functions; or*
 - ii. *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.*
2. *A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.*

Procedures and Mechanisms for Compliance

Physical Security - Liberty's Transmission Function Employees are located in Liberty, Calcasieu, and Beauregard parishes near the city of Sulphur, Louisiana and also in its Houston, Texas headquarters. They are geographically separated from the marketing function employees of their Marketing Affiliates. Liberty's facilities are separate and stand-alone facilities from the facilities of the Marketing Affiliates and Liberty employs security measures that include card-key access in both Houston and Louisiana.

Information Security Systems – While Sempra Pipelines & Storage hosts a number of internet and intranet resources for use by the various business units, those resources are controlled by the use of firewalls and authentication controls to prevent unauthorized access. Firewalls are specialized security hardware and software designed to isolate networks that require different security policy enforcement mechanisms. In addition to this industry standard approach to network security, the following types of information security systems provide additional levels of protection:

- Remote Access Security Software coupled with SecureID Tokens
- Application Security
- **Information Security Administration** - In addition to the physical and security systems described above, unauthorized systems access is prevented via automated and manual information security administration tools and standardized procedures, including:
 - Individual Employee Identification Numbers and Passwords
 - Basic Access Rule is to Deny Access by Default
 - Security Handling of Terminated and Transferred Employees
 - Special Security Handling of Affiliate Employee Access

Shared information systems are operated by Sempra Pipeline's & Storage's IT department, which employs techniques noted above to separate and prevent unauthorized access to computer systems. Additionally, Liberty's Electronic Bulletin Board or internet website that is utilized for the required postings is outsourced and separately operated by Latitude Technologies of Allen, Texas.

F. § 358.6 No conduit rule.

- (a) *A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.*
- (b) *An employee, contractor, consultant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider's marketing function employees.*

Procedures and Mechanisms for Compliance

Liberty's transmission function personnel as well as officers, directors, supervisory and other personnel likely to become privy to transmission function information receive annual training on current FERC rules as noted previously. In order to successfully complete this training, these individuals must also attest to their understanding of and compliance with the Anti-Conduit statement described above. Additionally, required contractors, consultants and agents are trained on and attest to this requirement.

G. § 358.7 Transparency rule.

- (a) *Contemporaneous disclosure.*
 - 1. *If a transmission provider discloses non-public transmission function information, other than information identified in paragraph (a)(2) of this section, in a manner contrary to the requirements of §358.6, the transmission provider must immediately post the information that was disclosed on its Internet website.*
 - 2. *If a transmission provider discloses, in a manner contrary to the requirements of §358.6, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in §388.113(c)(1) of this chapter or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the transmission provider must immediately post notice on its website that the information was disclosed.*
- (b) *Exclusion for specific transmission information.* *A transmission provider's transmission function employee may discuss with its marketing function employee a specific request for transmission service submitted by the marketing function employee. The transmission provider is not required to contemporaneously disclose information otherwise covered by*

§358.6 if the information relates solely to a marketing function employee's specific request for transmission service.

- (c) Voluntary consent provision. A transmission customer may voluntarily consent, in writing, to allow the transmission provider to disclose the transmission customer's non-public information to the transmission provider's marketing function employees. If the transmission customer authorizes the transmission provider to disclose its information to marketing function employees, 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 operation or rate-related, in exchange for that voluntary consent.
- (d) Posting written procedures on the public Internet. A transmission provider must post on its Internet website current written procedures implementing the standards of conduct.
- (e) Identification of affiliate information on the public Internet.
 - 1. A transmission provider must post on its Internet website the names and addresses of all its affiliates that employ or retain marketing function employees.
 - 2. 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 list must include the types of facilities shared and the addresses of the facilities.
 - 3. The transmission provider must post information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced.
- (f) Identification of employee information on the public Internet.
 - 1. A transmission provider must post on its Internet website the job titles and job descriptions of its transmission function employees.
 - 2. A transmission provider must post a notice on its Internet website of any transfer of a transmission function employee to a position as a marketing function employee, or any transfer of a marketing function employee to a position as a transmission function employee. The information posted under this section must remain on its Internet website for 90 days. No such job transfer may be used as a means to circumvent any provision of this part. The information posted must include.
 - i. The name of the transferring employee,
 - ii. The respective titles held while performing each function (i.e., as a transmission function employee and as a marketing function employee), and
 - iii. The effective date of the transfer.
- (g) Timing and general requirements of postings on the public Internet.

1. *A transmission provider must update on its Internet website the information required by this part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under part 358 on its OASIS, but is not required to do so.*
2. *In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts a transmission provider's normal business operations, the posting requirements in this part may be suspended by the transmission provider. If the disruption lasts longer than one month, the transmission provider must so notify the Commission and may seek a further exemption from the posting requirements.*
3. *All Internet website postings required by this part must be sufficiently prominent as to be readily accessible.*

(h) Exclusion for recordation of certain information exchanges.

1. *Notwithstanding the requirements of §§ 358.5(a) and 358.6, a transmission provider's transmission function employees and marketing function employees may exchange certain non-public transmission function information, as delineated in § 358.7(h)(2), in which case the transmission provider 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 transmission provider shall make the record available to the commission upon request. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.*
2. *The non-public information subject to exclusion in § 358.7(h)(1) is as follows:*
 - i. *Information pertaining to compliance with Reliability Standards approved by the Commission, and*
 - ii. *Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.*

- (i) Posting of waivers *A transmission provider must post on its Internet website notice of each waiver of a tariff provision that it grants in favor of an affiliate, unless such waiver has been approved by the Commission. The posting must be made within one business day of the act of a waiver. The transmission provider must also maintain a log of the acts of waiver, and must make it available to the Commission upon request. The records must be kept for a period of five years from the date of each act of waiver.*

Procedures and Mechanisms for Compliance

Liberty is in compliance with the requirements the § 358.7 Transparency Rules described above.

All relevant information can be found on its internet website:

<http://www.gasnom.com/ip/liberty/>

Additionally, Liberty has compliance procedures in place to make and retain a contemporaneous record of all such information exchanges noted in § 358.7(h) ((1) (2) as well as the log of waivers required in § 358.7(i). All such records will be available to the Commission upon request and retained for five years.

H. § 358.8 Implementation requirements.

(a) Effective date.

A transmission provider must be in full compliance with the standards of conduct on the date it commences transmission transactions with an affiliate that engages in marketing functions.

(b) Compliance measures and written procedures.

- 1. A transmission provider must implement measures to ensure that the requirements of §§358.5 and 358.6 are observed by its employees and by the employees of its affiliates.*
- 2. A transmission provider must distribute the written procedures referred to in §358.7(d) to all its transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.*

(c) Training and compliance personnel.

- 1. A transmission provider must provide annual training on the standards of conduct to all the employees listed in paragraph (b)(2) of this section. The transmission provider must provide training on the standards of conduct to new employees in the categories listed in paragraph (b)(2) of this section, within the first 30 days of their employment. The transmission provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.*
- 2. A transmission provider must designate a chief compliance officer who will be responsible for standards of conduct compliance. The transmission provider must post the name of the chief compliance officer and provide his or her contact information on its Internet website.*

(d) Books and records. A transmission provider must maintain its books of account and records (as prescribed under parts 101, 125, 201 and 225 of this chapter) separately from those of its affiliates that employ or retain marketing function employees, and these must be available for Commission inspections.

Procedures and Mechanisms for Compliance

Liberty is in compliance with § 358.8 Implementation requirements as detailed above.

Written Procedures

On April 1, 2011, in accordance with Order 717, this compliance plan (written procedures) was updated and re-posted on Liberty's external website and internal regulatory compliance site. These procedures will continue to be updated and re-posted by compliance personnel for material changes as they become evident.

Chief Compliance Officer

George Liparidis, President and CEO, Sempra Pipelines & Storage, serves as Liberty's Chief Compliance Officer. Contact information is as follows:

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