

ATTACHMENT L

Creditworthiness Procedures

CREDITWORTHINESS & COLLATERAL/SECURITY

1.0 Creditworthiness Provisions

1.1 Credit Review

For the purpose of determining the ability of Transmission Customer to fulfill its financial obligations pursuant to the Tariff, Transmission Provider shall require commercially reasonable credit review procedures as described in this Attachment L. A creditworthiness review shall be conducted for each Transmission Customer upon its initial request for Transmission Service, and thereafter generally annually, or upon the anniversary of the Transmission Customer's Service Commencement Date, or earlier upon reasonable request by Transmission Customer, provided, however, any time that Transmission Customer experiences any material credit downgrade that may place it below the standards specified in Section 1.2 or 1.3, Transmission Provider reserves the right to re-evaluate Transmission Customer's creditworthiness pursuant to this Attachment L. Further, if in accordance with Section 1.4.1, Transmission Provider determines that financial assurances that Transmission Customer has previously provided have become insufficient to protect Transmission Provider against the risk of non-payment, Transmission Provider can require Transmission Customer to increase or augment such financial assurances.

1.2 Creditworthiness for Service Agreements with a Term of One Year or More

Upon their application for Transmission Service pursuant to a Service Agreement with a term of one year or more and throughout the term of their Service Agreements, both new and existing Transmission Customers that satisfy the investment grade credit criteria delineated in this Section will be considered creditworthy by Transmission Provider. Such Transmission Customers will not be required to submit financial assurances (including, with respect to new customers, the application deposits that would otherwise be required pursuant to Section 17.3 of the Tariff) in order to protect the Transmission Provider from the risk of non-payment. Pursuant to this Section, Transmission Customer is creditworthy if it has not, pursuant to Section 7.3 (Customer Default) of the Tariff, defaulted in the last twelve (12) months, and:

- (i) is "Investment Grade," which for purposes of this Attachment L shall mean (a) a BBB-/Baa3 or better rated regulated electric public utility or (b) any other entity that has a minimum rating of A-/A3. All ratings are Standard and Poor's (S&P) Long-Term Issuer Credit Rating or Moody's Investor Service, Inc. (Moody's) Long-Term Issuer Credit Rating, respectively, excluding ratings on negative watch or negative outlook and are additive (i.e., in the case of a split rating, the lower rating must also meet the standard); or
- (ii) is a borrower from the Rural Utilities Service (RUS) and has a "Times Interest Earned Ratio" of 1.25 (or better) and a "Debt Service Coverage Ratio" of 1.10 (or better) in the most recent calendar year, or is

maintaining the Times Interest Earned Ratio and Debt Service Coverage Ratio as established in Transmission Customer's RUS Mortgage. Transmission Customer must provide appropriate documentation annually, or as agreed-upon by both parties; or

- (iii) is a federal agency and its financial obligations under the Tariff are backed by the full faith and credit of the United States of America; or
- (iv) is a municipal or state agency, or a rural electric cooperative (without RUS Debt) that: (a) if applicable, has been taking Transmission Service for one (1) year and has provided documentation that its financial obligations under the Tariff are backed by the full faith and credit of the municipality or state in which it is established; or (b) has provided documentation that under the applicable laws of the state in which it is established, that its financial obligations under the Tariff are deemed to be operating expenses and that the agency or the electric cooperative is required by such applicable laws or contractual covenants to devote and apply its revenues first to the payment of its operating and maintenance expenses and the principal and interest of its outstanding obligations prior to payment of all other obligations; or
- (v) provides a letter of unconditional and continuing guaranty from a bank or from Transmission Customer's parent company or affiliate ("Guarantor") providing that such Guarantor shall immediately pay upon demand to Transmission Provider all amounts now or hereafter due under Transmission Customer's Service Agreement (including, without limitation, all principal, interest and fees) and fulfill any other obligations of Transmission Customer under the Service Agreement, including the full and punctual payment and performance by Transmission Customer of all of Transmission Customer's obligations and liabilities under the Service Agreement ("Guaranty Amount") for the term of the Service Agreement including any renewals or extensions of the Service Agreement; provided, however, that during the initial ten year period of Transmission Customer's Service Agreement ("Initial Period") the Guaranty Amount shall not cover a period greater than the Initial Period or the term of the Service Agreement, whichever is less; or
- (vi) demonstrates that Transmission Customer has an executed power purchase agreement or optimization agreement ("PPA/OA") for the energy being transmitted under its Service Agreement with a counterparty that is Investment Grade. If at any time during the term of the PPA/OA, including any renewals or extensions of the PPA/OA, Transmission Customer's counterparty to the PPA/OA is not Investment Grade, then Transmission Customer must meet the requirements of Section 1.2 pursuant to criteria other than those set forth in this Section 1.2(vi). If the term of Transmission Customer's PPA/OA does not cover the term of the Service Agreement, including any extensions or renewals of the Service

Agreement, then for any such uncovered period, Transmission Customer must provide a letter of unconditional and continuing guaranty from a Guarantor providing that such Guarantor shall immediately pay upon demand to Transmission Provider the Guaranty Amount for the term of the Service Agreement, including any renewals or extensions of the Service Agreement; provided, however, that the term of the PPA/OA and the period covered by the guaranty consecutively shall not be required to cover a period greater than ten years for the Initial period or the term of the Service Agreement, whichever is less; or

- (vii) has a Service Agreement for which the Initial Period has concluded and either (a) complies with the creditworthiness provisions set forth in Section 1.2(i) or (b) provides for the remainder of the term of the Service Agreement, including any renewals or extensions of the Service Agreement, a guaranty from a Guarantor providing that such Guarantor shall immediately pay upon demand to Transmission Provider a Guaranty Amount for each remaining one-year period of the term of the Service Agreement or, if less than one year remains in the term of the Service Agreement, for such remaining period.

Any letter of guaranty provided under this Attachment L must be acceptable to Transmission provider as to form and substance and the Guarantor must be Investment Grade at the time of execution and during the term of the guaranty. If the Guarantor is placed on watch for possible downgrade to its credit rating, then Transmission Customer must immediately provide additional financial assurance as provided in this Attachment L.

1.3 Creditworthiness Provisions for Service Agreements with a Term of Less than One Year

Transmission Customer must be (i) Investment Grade or (ii) provide an unconditional and irrevocable standby letter of credit, or an alternative form of security identified in Section 1.5, in an amount equal to two (2) times the estimated monthly charges for transmission and ancillary services including losses (rounded to the nearest thousand dollar increment) for an average month for that type of service ("Required Security Amount") or (iii) prepay the Required Security Amount. Any letter of credit provided by Transmission Customer must be acceptable to Transmission Provider and consistent with the practices established by the Uniform Commercial Code. All costs associated with the issuance and maintenance of a letter of credit shall be paid by Transmission Customer. A draft or acceptable form of a letter of credit shall be posted on OASIS.

1.4 Right to Protect Against Additional Risk of Non-payment

All financial assurances calculated and collected pursuant to Sections 1.2 and 1.3 must be sufficient to protect Transmission Provider from the risk of non-payment with respect to Transmission Customer failing to be Investment Grade during the entire term of Transmission Customer's Service Agreement. Accordingly, after a Transmission Customer that has failed to be Investment Grade has provided Transmission Provider financial assurances pursuant to

Sections 1.2 or 1.3, Transmission Provider will monitor the amount of Transmission Customer's Transmission Services charges to ensure that it has provided a sufficient amount of security to protect Transmission Provider against the risk of non-payment. If Transmission Customer is not in Default pursuant to Section 7.3 of the Tariff, then Transmission Customer shall provide the adjusted amount of financial assurances required pursuant to this Section within thirty-five (35) calendar days of receipt of a notice from Transmission Provider. Transmission Customer will not be required to increase its financial assurances pursuant to this Section more than twice every twelve (12) months.

1.4.1 Adjustment of Financial Assurances Provided Pursuant to Section 1.2 or 1.3

If Transmission Customer provided security pursuant to Section 1.2 or 1.3 and Transmission Provider determines that Transmission Customer's actual average monthly Transmission Services charges over any subsequent twelve (12) month period exceed the average estimated charges for transmission and ancillary services upon which financial assurance was based, then Transmission Customer must increase its financial assurance to be equal to a Required Security Amount or Guaranty Amount calculated under Section 1.2 or 1.3 and based on the actual average charges over such twelve month period within fifteen (15) business days. The value of the actual average monthly purchases of Transmission Services evaluated pursuant to this Section will be based on the preceding twelve (12) month period as measured from the date immediately prior to Transmission Provider's credit re-evaluation. Pursuant to this Section, the sum of any required security will include, where applicable, any application deposits required pursuant to Section 17.3 of the Tariff.

1.4.2 Transmission Customer Right to Request a Credit Re-evaluation

Transmission Customer may make reasonable requests for Transmission Provider to re-evaluate its creditworthiness pursuant to the relevant standard established in Section 1.4.1. Based on such a re-evaluation, if appropriate, Transmission Provider will reduce the amount of financial security requested from Transmission Customer if an analysis of its transmission usage over the preceding twelve (12) month period indicates that Transmission Customer has provided security in excess of that required by this Attachment L.

1.4.3 Right to Draw Upon Financial Assurances upon Default

Transmission Provider has the right to liquidate, or draw upon, all or a portion of Transmission Customer's form of financial assurance(s) in order to satisfy Transmission Customer's total net obligations to Transmission Provider at any one time, upon a Default pursuant to Section 7.3 of the Tariff. Transmission Customer shall replace any liquidated, or drawn upon, financial assurances pursuant to the timeframe delineated in Section 1.4.1.

1.4.4 Notice

Transmission Provider's notice to a Transmission Customer will inform Transmission Customer:

- (i) that it is not creditworthy pursuant to this Attachment L or in accordance with Section 1.4 and that it must provide or adjust a Required Security Amount or Guaranty Amount;

- (ii) why it is not creditworthy or why it must provide or a Required Security Amount or Guaranty Amount;
- (iii) the deadline by which it must provide any Required Security Amount or Guaranty Amount; and
- (iv) that Transmission Provider may take corrective action, including suspension of service pursuant to Section 1.5 or termination of service pursuant to Section 1.7 if Transmission Customer fails to provide the Required Security Amount or Guaranty Amount by the specified deadlines.

All notices sent to Transmission Customer pursuant to this Section shall be in writing and shall be sent to Transmission Customer by telefax or overnight courier at the respective telephone number or courier address specified in Transmission Customer's application for Transmission Service (or such other address as Transmission Customer may have designated in writing to Transmission Provider) and shall become effective upon actual receipt as evidenced by telefax confirmation sheet or tracking information provided by the overnight courier, as the case may be.

1.4.5 Suspension of Service

For Service Agreements under which service has begun, Transmission Provider may inter alia suspend Transmission Service without affecting, limiting or diminishing Transmission Provider's rights of drawdown as provided in Section 1.4.3 if:

- (i) a Transmission Customer that is not in Default pursuant to Section 7.3 of the Tariff fails to provide the applicable Required Security Amount or Guaranty Amount (or the entirety of any additional financial assurances required pursuant to Section 1.4.1), and such failure is not corrected within thirty (30) calendar days after Transmission Provider notifies Transmission Customer pursuant to Section 1.4.4 to cure such failure; or
- (ii) a Transmission Customer that is in Default pursuant to Section 7.3 of the Tariff fails to provide the applicable Required Security Amount or Guaranty Amount (or the entirety of any additional financial assurances required pursuant to Section 1.4.1), and such failure is not corrected within five (5) business days after the Transmission Provider notifies the Transmission Customer pursuant to Section 1.3 to cure such failure.

The suspension of service, if applied, shall continue only for as long as the default in providing the Required Security Amount or Guaranty Amount continues unremedied. If the Required Security Amount or Guaranty Amount is not provided, the Transmission Provider may terminate the Transmission Customer's Service Agreement as provided in Section 1.7.

1.5 Alternative Forms of Financial Assurance

Transmission Customer may provide the following as acceptable alternative forms of financial assurance in the amounts specified in Sections 1.2 or 1.3

- (i) Cash Deposit Transmission Customer may provide a cash deposit that will be retained during the term of (and until full and final payment and performance of) its Service Agreement. If Transmission Customer has submitted multiple requests for Transmission Service, then Transmission Provider may require a cash deposit for each Service Agreement. Cash deposits submitted as a form of financial assurance will be held by Transmission Provider and Transmission Customer will be paid an interest rate that is equal to the interest rate earned on the escrow account in which the cash deposit is held. The cash deposit can be made by wiring immediately available funds to Transmission Provider's account.
- (ii) Surety Bond Transmission Customer may provide, and maintain in effect during the term of (and until full and final payment and performance of) its Service Agreement, a surety bond issued by a financial institution acceptable to Transmission Provider. If Transmission Customer has submitted multiple requests for Transmission Service, then the Transmission Provider may require a surety bond for each Service Agreement. All costs associated with the issuance and maintenance of a surety bond shall be paid by Transmission Customer. A draft, acceptable form of a surety bond shall be posted on the OASIS.

1.6 Return of Financial Assurances upon Re-establishment of Creditworthiness

If Transmission Customer re-establishes creditworthiness pursuant to Section 1.2 or 1.3, then upon verification by Transmission Provider, all financial assurances will be returned (or terminated, if applicable) to Transmission Customer with interest (if applicable), upon payment of all past due balances to Transmission Provider pursuant to the Tariff.

1.7 Termination of Service

If Transmission Customer fails to meet the credit requirements or otherwise comply with this Attachment L, and such failure is not corrected within thirty (30) calendar days after Transmission Provider notifies Transmission Customer to cure such failure, Transmission Provider may initiate a proceeding with the Commission to terminate service but shall not terminate service until the Commission so approves any such termination.

1.8 Alternate Approved Security and Credit Support Arrangements

Transmission Customer and Transmission Provider may agree upon alternative credit support arrangements to apply as between them in lieu of all other provisions in this Attachment L, if such alternative arrangements are accepted or approved by the Commission.