

**ASSOCIATED ELECTRIC COOPERATIVE, INC.**

**OPEN ACCESS TRANSMISSION TARIFF**

**BUSINESS PRACTICES**

Revised October 13, 2008  
Effective October 13, 2008

## Introduction

The following document is a supplemental to Associated Electric Cooperative, Inc's (AECI) Open Access Transmission Tariff ("OATT"). These Business Practices summarize certain sections of AECI's OATT and contains the most current administrative practices used in coordinating the sale of Transmission Service. AECI sells Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service to Eligible Customers who meet AECI's creditworthiness criteria.

All capitalized terms in this document are defined in Section 1 of the OATT.

### Index

- 1. AECI Transmission Products**
  - 1.1. Firm Point to Point Transmission Service Products
  - 1.2. Non-Firm Point to Point Transmission Service Products
  - 1.3. Ancillary Services
  
- 2. ATC OASIS Posting Policies**
  
- 3. Firm Point-To-Point Transmission Service Request Practices**
  - 3.1. General
  - 3.2. Submittal of Application and Service Agreements
  - 3.3. Timing Requirements
  - 3.4. Redirection of Firm Point-To-Point Transmission Service
  - 3.5. Renewal Practices for Eligible Firm Point-To-Point Transmission Service
  
- 4. Non-Firm Point-To-Point Transmission Service Request Practices**
  - 4.1. General
  - 4.2. Submittal of Application and Service Agreements
  - 4.3. Timing Requirements
  
- 5. Real Power Losses**
  
- 6. Creditworthiness and Deposits**
  - 6.1 New Transmission Customers
  - 6.2 Firm Point-To-Point Transmission Service – term of one month or greater
  
- 7. AECI Billing Policies**
  - 7.1. Billing Procedures
  - 7.2. Calculating Total Transmission Charge
  - 7.3. Billing Policies Due to Interruptions
  
- 8. AECI OASIS Access**
  
- 9. Modification of Business Practices**
  
- 10. AECI Contacts**

## Attachment 1: AECI Creditworthiness Procedures

### 1. AECI Transmission Products

AECI offers the following Firm Point-To-Point and Non-Firm Point-To-Point Transmission Service products and Ancillary Services.

#### 1.1 Firm Point to Point Transmission Service Products

Firm Point to Point Transmission Service Type	Current Rate	Maximum Rate from Tariff
<p><b>DAILY FIRM POINT_TO_POINT FULL_PERIOD FIXED</b>            Service starts at 00:00 and stops at 24:00 same calendar date (same as 00:00 of the next consecutive calendar date).</p> <p>This service will be requested in daily increments, not to exceed six (6) consecutive days</p>	\$79.44 / MW-Day	\$79.44 / MW-Day
<p><b>WEEKLY FIRM POINT_TO_POINT FULL_PERIOD SLIDING</b>            Service starts at 00:00 of any date and stops exactly 168 hours later at 00:00 on the same day of the next week.</p> <p>This service will be requested in weekly increments, not to exceed three (3) consecutive weeks.</p>	\$397.22 / MW-Week	\$397.22 / MW-Week
<p><b>MONTHLY FIRM POINT_TO_POINT FULL_PERIOD FIXED</b>            Service starts at 00:00 on the first date of calendar month and stops at 24:00 on the last date of the same calendar month.</p> <p>This service will be requested in monthly increments, not to exceed eleven (11) consecutive months.</p>	\$1721.28 / MW-Month	\$1721.28 / MW-Month
<p><b>YEARLY FIRM POINT_TO_POINT FULL_PERIOD EXTENDED</b>            Service starts at 00:00 of any date and stops at 00:00 more than one year later, but must be in increments of full years.</p>	\$20655.36 / MW-Year	\$20655.36 / MW-Year

## 1.2 Non-Firm Point to Point Transmission Service Products

<i>Non-Firm Point to Point Transmission Service Type</i>	<b>Current Rate</b>	<b>Maximum Rate from Tariff</b>
<p><b>HOURLY NON-FIRM POINT_TO_POINT FULL_PERIOD FIXED</b></p> <p>Service starts at the beginning of a clock hour and stops at the end of a clock hour            On-peak hours: HE 7-22            Off-peak hours: HE 1-6, 23, 24</p> <p>The service will be requested in hourly increments, not to exceed twenty-three (23) consecutive hours.</p>	<p>On-Peak Hours: \$3.00 / MW-Hour</p> <p>Off-Peak Hours: \$2.00 / MW-Hour</p>	\$4.97 / MW-Hour
<p><b>DAILY NON-FIRM POINT_TO_POINT FULL_PERIOD FIXED</b></p> <p>Service starts at 00:00 and stops at 24:00 same calendar date (same as 00:00 of the next consecutive calendar date).</p> <p>This service will be requested in daily increments, not to exceed six (6) consecutive days</p>	\$48.00 / MW-Day	\$79.44 / MW-Day
<p><b>WEEKLY NON-FIRM POINT_TO_POINT FULL_PERIOD SLIDING</b></p> <p>Service starts at 00:00 of any date and stops exactly 168 hours later at 00:00 on the same day of the next week.</p> <p>This service will be requested in weekly increments, not to exceed three (3) consecutive weeks.</p>	\$240.00 / MW-Week	\$397.22 / MW-Week
<p><b>MONTHLY NON-FIRM POINT_TO_POINT FULL_PERIOD FIXED</b></p> <p>Service starts at 00:00 on the first date of calendar month and stops at 24:00 on the last date of the same calendar month.</p> <p>This service will be requested in monthly increments not to exceed eleven (11) consecutive months.</p>	\$1040.00 / MW-Month	\$1721.28 / MW-Year

### 1.3 Ancillary Services

AECI requires the Transmission Customer to purchase the following Ancillary Services from AECI with each Transmission Service request.

<b><i>Ancillary Service Type</i></b>	<b><i>Current Rate</i></b>
<b>Scheduling, System Control, and Dispatch</b>	\$0.06 / MW-Hour
See Schedule 1 of OATT for details	\$0.87 / MW-Day
Pricing is dependent upon the service increment of the transmission request	\$4.36 / MW-Week
	\$18.87 / MW-Month
	\$226.49 / MW-Year
<b>Reactive Supply and Voltage Control From Generation or Other Sources</b>	\$0.14 / MW-Hour
See Schedule 2 of OATT for details	\$2.17 / MW-Day
Pricing is dependent upon the service increment of the transmission request	\$10.84 / MW-Week
	\$46.99 / MW-Month
	\$563.91 / MW-Year

With respect to any service provided pursuant to Sections 1.1, 1.2 or 1.3 above, the total demand charge in any week, pursuant to a reservation for Daily Service, shall not exceed the rate specified for Weekly Service times the highest amount in kilowatts of Reserved Capacity in any day during such week. The total demand charge in any day, pursuant to a reservation for Hourly Service, shall not exceed the rate specified for Daily Service times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily Service, shall not exceed the rate specified for Weekly Service times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

## 2. ATC OASIS Posting Policies

### 2.1 ATC Posting Process

AECI updates and posts its ATC's on a daily basis, based on the most recent information available in AECI's local database. As transmission requests are processed and accepted, AECI updates ATC values in its database, and then updates hourly those ATC's that are affected by the reservation on OASIS. AECI's ATC's will always reside in the local database.

### 2.2 Revision / Accuracy of Posted ATC's

AECI cannot guarantee that ATC's posted on OASIS will always accurately reflect the actual ATC available for the AECI system. AECI will make every effort to ensure ATC postings are as accurate as possible.

## 3. Firm Point-to-Point Transmission Service Request Practices

### 3.1 General

Firm Point-To-Point Transmission Service provides for the reserved use of transmission capability on AECI's Transmission System deemed to be available above AECI's own planned use of the Transmission System to meet Native Load Customers' needs for reliable and economical service, to meet other previously arranged firm commitments, and to account for reliability considerations affecting AECI's Transmission System and interconnections with others.

AECI offers Long-Term Firm Point-To-Point Transmission Service and Short-Term Firm Point-To-Point Transmission Service. Section 1.1 provides details on the available service increment, maximum term of the request and rates.

Long-Term Firm Point-To-Point Transmission Service is for a term of one year or more. This service shall be available on a first-come, first served basis.

Short-Term Firm Point-To-Point Transmission Service has a term of less than one year and a minimum term of one day. Reservations will be conditional based upon the length of the requested reservation. Pre-confirmed requests will receive priority over earlier submitted requests that are not pre-confirmed and have equal or shorter duration. Section 13.2 of the OATT describes the preemption process in the event the Transmission System becomes oversubscribed.

### 3.2 Submittal of Application and Service Agreements

#### 3.2.1 Service Agreements For New Customers

Customers that have not previously executed a Service Agreement with AECI will be required to execute the Service Agreement (Attachment A and Attachment B of the OATT) after submitting their initial request on the AECI OASIS site (OATT Section 13.4).

#### 3.2.2 Requests/Application

The customer will submit its request (Application) for all Firm Point-To-Point Transmission Service on the AECI OASIS site. All Long-Term Firm Point-To-Point Transmission Service requests must also contain a written Application (OATT Attachment A-1). The written Application must be sent to the AECI Transmission Service Coordinator at least 60 days in advance of commencing service (OATT Section 17.1). The OASIS submission date and time will establish the queue priority of the request. AECI will provide the customer notice of a deficient request within 15 days of receipt of the request (OATT Section 17.4). AECI will notify the customer within 30 days of receipt of a valid request if it will be able to provide service (OATT Section 17.5).

**3.2.3 Service Agreements For Long-Term Firm Transmission Service**

All Long-Term Firm Point-To-Point Transmission Service requests will require an executed Service Agreement by AECI and the Customer (OATT Section 13.4). If the customer does not return the executed Service Agreement within 15 days after it is tendered by AECI the request status will be changed to “RETRACTED” on the OASIS site.

**3.3 Timing Requirements**

<b>Service</b>	<b>Queued Request Submitted Prior to Service Commencement (1)</b>	<b>AECI Evaluation (2)</b>	<b>Customer Confirmation After Acceptance by AECI (4)</b>	<b>Energy Schedule Submission By Customer (5)(6)</b>
Daily Firm	No later than 3 days No earlier than 14 days	30 days <b>(3)</b>	24 hours	1200 CPT Day Prior
Weekly Firm	No later than 7 days No earlier than 30 days	30 days <b>(3)</b>	48 hours	1200 CPT Day Prior
Monthly Firm	No later than 31 days No earlier than 120 days	30 days	4 days	1200 CPT Day Prior
Yearly Firm	No later than 60 days <b>(7)</b>	30 days	15 days	1200 CPT Day Prior

- (1) When feasible and on a non-discriminatory basis, AECI may waive any of these requirements.
- (2) Consistent with OATT Section 17.5.
- (3) AECI will make its best efforts to respond a) within 72 hours or b) prior to the scheduling deadline, whichever is earlier, for weekly and daily requests.
- (4) These confirmation time limits are not to be interpreted to extend the scheduling deadlines (OATT Section 13.8) or override preemption deadlines (OATT Section 13.2). Requests not confirmed by the appropriate deadline will be deemed “WITHDRAWN” by the customer and the status will be changed to “RETRACTED” on OASIS.

- (5) Firm schedules submitted after the 12:00 CPT deadline will be accommodated, if practicable (OATT Section 13.8).
- (6) AECI will evaluate tags within the timelines listed for NERC tagging. Those timing requirements are:
  - Hourly tags submitted one hour or less prior to the start must be evaluated in ten minutes. Hourly tags submitted more than one hour but less than four hours prior to start must be evaluated in 20 minutes.
  - Tags of duration less than 24 hour that are submitted four hours or more prior to start must be evaluated in 2 hours.
  - Tags of duration of 24 hours or more must be evaluated in two hours.
- (7) Consistent with OATT Section 17.1.

### 3.4 Redirection of Firm Point to Point Transmission Service

#### 3.4.1 Redirection on a Firm Basis

Transmission Customers taking Firm Point-To-Point Transmission Service may redirect their requests over alternate paths (points of receipt / delivery or source / sink pairs) on a firm basis, without additional charge (Section 19.2 of OATT).

Conditions:

1. The original firm reservation being redirected must be confirmed.
2. The redirected request may not extend beyond the start and end times of the original request.
3. The redirect request must be submitted in accordance with the timing requirements established in Section 3.3.
4. Redirect requests will be treated as new firm requests for determination of ATC; the impact of the original request will be removed. If insufficient ATC exists to approve the redirected request, the customer retains its rights to the original reservation.
5. At the conclusion of a partial term redirect the customer retains its rights to the original firm reservation.
6. If a partial amount of the original capacity is redirected, the customer retains scheduling rights to the remaining portion of the original reservation.
7. An original firm service request that meets the contract term of five years or more and that is redirected for a period that ends prior to the end of the originally-requested service increment will maintain its rollover rights at the POR/POD of the original service reservation under Section 2.1 of the OATT.

8. Any original firm service request that meets the contracts term of five years or more and that is redirected to the end of the original term will have a reservation priority based on the POR/POD of the redirected service.

A Redirected Request must contain the following:

1. Valid point of receipt (POR)/point of delivery (POD), source/sink and path entered.
2. The capacity amount.
3. A valid start and end date for the service type requested, and within the time frame of the original reservation.
4. The seller company specified as AECl.
5. The request should have "REDIRECT" selected as the request type and "FIRM" as the service type.
6. The original OASIS reservation number should be entered in the related reference section of the redirected request.

#### 3.4.2 Redirection on Non-Firm Basis (Secondary Service)

Transmission Customers taking Firm Point-To-Point Transmission Service may redirect their requests over alternate paths (points of receipt / delivery or source / sink pairs) on a non- firm basis, without additional charge (Section 19.1 of OATT).

Conditions:

1. The original firm reservation being redirected must be confirmed.
2. The redirected request may not extend beyond the start and end times of the original request.
3. Requests will be treated as new non-firm requests, on an as available basis, and will not displace any firm or non-firm service reserved or scheduled by third parties under the OATT or by AECl on behalf of its native load. If insufficient ATC exists to approve a redirected request the customer retains rights to the original reservation. The customer also retains rights to schedule at the original points of receipt and delivery in the event the redirected service is curtailed or interrupted.
4. If a partial amount of the original capacity is redirected, the customer retains scheduling rights to the remaining portion of the original reservation.
5. Secondary service is only available in hourly increments.

A Secondary Service request must contain the following:

1. A valid POR and POD.
2. A valid source and sink.

3. A valid path.
4. The capacity amount should be specified.
5. A valid start and end date for the service type requested, and that is within the time frame of the original reservation.
6. The seller company specified as AECL.
7. The request should have "REDIRECT" selected as the request type and "SECONDARY" as the service type.
8. The original OASIS reservation number should be entered in the related reference section of the redirected request
9. Service increment must be hourly and submitted as preconfirmed

### 3.5 Renewal Practices For Eligible Firm Point-To-Point Transmission Service

The following practices apply to the reservation priority of eligible Firm Point-To-Point Transmission Service that has rollover rights pursuant to Section 2.1 of the OATT.

- a. Effective August 30, 2008, Transmission Customers must agree to renew service for a minimum term of five years and provide notice at a minimum of one year prior to expiration of service to maintain their reservation priority and right of first refusal.
- b. Service Agreements subject to the right of first refusal entered into prior to August 30, 2008 will become subject to the five year/one year requirement on the first rollover date after August 30, 2008.
- c. The status of a competing request will not be changed to "ACCEPTED" prior to the earlier of: 1) the submittal of the renewal request or 2) one year prior to the expiration of service. A customer renewing service must accept a contract term for the renewal at least as long as the longest-term competing confirmed request. A confirmed competing request is defined as a firm request that is queued prior to the renewal request, of a greater term than the renewal request and sharing the same POR/POD or constrained by limited contract path capacity on the same external interface. To match the term of a confirmed competing request, the renewal customer must submit a matching term request within 15 days of the competing request being confirmed. (AECL will notify the renewal customer by phone, e-mail and by posting a message in the provider comments section of the renewal request as soon as possible that the competing request has been confirmed.) If the matching renewal request is confirmed the competing request will be ANNULLED. Otherwise, the renewal customer loses its reservation priority and its renewal request will be treated as an original service request.

- d. Service can be renewed for less than the original confirmed amount of capacity.
- e. Service can be renewed for less than five years at the end of which no renewal rights will exist.

#### **4. Non-Firm Point-to-Point Transmission Service Request Practices**

##### **4.1 General**

Non-Firm Point-To-Point Transmission Service provides for the reserved use of transmission capability on AECI's Transmission System on an interruptible basis to the extent transmission system capability is available for the delivery of capacity and energy after AECI's use of the Transmission System to meet Native Load Customers' needs for reliable and economical service, to meet firm commitments, and to account for reliability considerations affecting the Transmission Provider's Transmission System and interconnections with others.

AECI offers Non-Firm Point-To-Point Transmission Service in increments of hourly, daily, weekly and monthly increments. The Transmission Customer may reserve a sequential term of service as specified in Section 1.2.

Section 14.2 of the OATT describes the preemption process in the event the Transmission System becomes oversubscribed.

##### **4.2 Submittal of Application and Service Agreements**

###### **4.2.1 Service Agreements For New Customers**

Customers that have not previously executed a Service Agreement with AECI will be required to execute the Service Agreement (Attachment A and Attachment B of the OATT) after submitting their initial request on the AECI OASIS site (OATT Section 14.4).

###### **4.2.2 Requests/Application**

The customer will submit its request (Application) for all Non-Firm Point-To-Point Transmission Service on the AECI OASIS site. The OASIS submission date and time will establish the queue priority of the request.

##### **4.3 Timing Requirements**

<b>Service</b>	<b>Queued Request Submitted Prior to Service Commencement (1)</b>	<b>AECI Evaluation (2)</b>	<b>Customer Confirmation After Acceptance by AECI (3)</b>	<b>Energy Schedule Submission By Customer (4)(5)</b>
Hourly Non-Firm	< 1 hour	Best Effort	5 minutes	20 minutes prior to start of hour
Hourly Non-Firm	>1 hour	30 minutes	5 minutes	20 minutes prior to start of hour
Hourly Non-Firm	Day Ahead (No earlier than 10:00 AM CPT) <b>(6)</b>	30 minutes	30 minutes	1400 CPT Day Prior to Service
Daily Non-Firm	No earlier than 3 days <b>(6)</b>	30 minutes	2 hours	1400 CPT Day Prior to Service
Weekly Non-Firm	No earlier than 14 days <b>(6)</b>	4 hours	24 hours	1400 CPT Day Prior to Service
Monthly Non-Firm	No earlier than 60 days <b>(6)</b>	2 business days	24 hours	1400 CPT Day Prior to Service

- (1) When feasible and on a non-discriminatory basis, AECI may waive any of these requirements.
- (2) Consistent with OATT Section 18.4.
- (3) These confirmation time limits are not to be interpreted to extend the scheduling deadlines (OATT Section 14.6) or override pre-emption deadlines (OATT Section 14.2). Requests not confirmed by the appropriate deadline will be deemed “Withdrawn” by the customer and have the status changed to “Retracted” on OASIS.
- (4) Non-Firm schedules submitted after the 14:00 CPT deadline will be accommodated, if practicable (OATT Section 14.6).
- (5) AECI will evaluate tags within the timelines listed for NERC tagging. Those timing requirements are:
  - Hourly tags submitted one hour or less prior to the start must be evaluated in ten minutes. Hourly tags submitted more than one hour but less than four hours prior to start must be evaluated in 20 minutes.
  - Tags of duration less than 24 hour that are submitted four hours or more prior to start must be evaluated in 2 hours.

- Tags of duration of 24 hours or more must be evaluated in two hours.

(6) Consistent with OATT Section 18.3.

## 5. Real Power Losses

Real Power Losses are associated with all Transmission Service. The Transmission Customer is responsible for replacing Real Power Losses associated with Transmission Service as calculated by AECl. See Schedule 5 of the OATT for the current loss rate and additional details

## 6. Creditworthiness and Deposits

### 6.1 New Transmission Customers

Prior to providing initial Transmission Service to a new Eligible Customer (a customer that has never purchased AECl Transmission Service), the Eligible Customer must undergo a credit review process for the purpose of determining its ability to meet its obligations. An Eligible Customer who does not satisfy the creditworthiness requirements will be required to provide credit assurance to AECl or the request will be denied. See Attachment 1, AECl Creditworthiness Procedures, for additional details.

### 6.2 Firm Point to Point Transmission Service – Term of One Month or Greater

Prior to accepting a Firm Point-To-Point Transmission Service request with a term of one month or greater, AECl Risk Management will determine if the Transmission Customer still meets AECl's creditworthiness requirements. If a Transmission Customer meets the creditworthiness requirements the deposit shall be waived (see Section 17.3 of the OATT).

If the Transmission Customer does not meet the creditworthiness requirement, the Transmission Customer shall provide a deposit or other form of credit assurance (see Section 5 of AECl's Creditworthiness Procedures) to AECl.

## 7. AECI Billing Policies

### 7.1 Billing Procedures

AECI's transmission billing period is from the first of each month to the end of each month. Transmission requests that span two or more months will be billed according to the proportion of the request that occurs in each month (based on MWH). Transmission bills will be generated and submitted to Transmission Customers within a reasonable amount of time after the first of each month. The invoice is to be paid by the Transmission Customer within twenty (20) days of receipt. See Section 7 of the OATT for additional details.

### 7.2 Calculating Total Transmission Charge

The Total Transmission Charge consists of three individually calculated charges for each transmission request:

- 1) Transmission Service (Schedule 3 and Schedule 4)
- 2) Ancillary Service Schedule 1
- 3) Ancillary Service Schedule 2

Example calculations are listed below.

*Transmission Service Charge (Schedule 3 – Firm Point to Point and Schedule 4 – Non Firm Point to Point)*

The Transmission Service Charge is calculated by multiplying the number of MW reserved by the price of the service for the term requested. If the transmission service spans multiple months, the bill for the current month will be in direct proportion to the number of MWH of the request that occurs in the month.

An example of this would be for a 50 MW request for WEEKLY FIRM POINT\_TO\_POINT FULL\_PERIOD SLIDING transmission spanning two months (two days in the first billing month, five days in the second billing month). The total Transmission Service Charge would be 50 MW x \$397.22/MW-Week = \$19,861. The Transmission Service Charge for the first month would be  $\frac{2}{7} \times \$19,861 = \$5,674.57$ . The Transmission Service Charge for the second month would be  $\frac{5}{7} \times \$19,861 = \$14,186.43$

*Ancillary Service Schedule 1 (Scheduling, System Control and Dispatch) Bill and Ancillary Service Schedule 2 (Reactive Supply and Voltage Control From Generation or Other Sources) Charges*

The Ancillary Service Schedule 1 and Schedule 2 Charges are calculated in the same manner as Transmission Service Charge except that the service rate each method applies is different. As with the Transmission Service Charge, the monthly bill is based on the

proportion of the transmission service that occurs in the month being billed for (based on total MWH).

### 7.3 Billing Policies Due To Interruptions

For any Non-Firm Point-To-Point Transmission Service that is interrupted (see OATT Section 1.14 and 14.7), AECI will bill only for the portion of the request that was not interrupted. The total bill for the interrupted request will be in proportion to the amount of MW-Hours of the request that were not subject to Interruption. AECI will only begin crediting for Interruptions on the hour, so if a schedule is interrupted in mid-hour, the Interruption crediting will not include the portion of the hour in which the Interruption began.

For example, a DAILY NON-FIRM POINT\_TO\_POINT FULL\_PERIOD FIXED request for 50 MW for 1 day is interrupted at 13:35. AECI would consider the Interruption to begin with HE 15 (at 14:00). Therefore, AECI would credit the Transmission Customer for 10 hours of Interruption. The total transmission bill for the request would have been 50 MW x \$48.00/MW-Day = \$2,400 (with no Interruption). The transmission credit for the Interruption would be \$2,400 x (10/24) = \$1,000. Therefore, the Transmission Service Charge for the interrupted request would be \$2,400 - \$1,000 = \$1,400. The Ancillary Service Charges would be credited in a like manner.

## 8. **Modification of Business Practices**

AECI reserves the right to review and modify its Business Practices at any time. Any changes will to the Business Practices will be posted on the AECI OASIS.

## 9. **AECI OASIS Access**

A Transmission Customer that has executed and returned a Service Agreement will have access to AECI's OASIS site. Parties to transmission service agreements entered into prior to September 1, 1997, may obtain access to AECI's OASIS site upon request to AECI's Transmission Service Coordinator.

## 10. **AECI Contacts**

To report any problems you may encounter while using AECI's OASIS node, or for any questions you may have related to AECI transmission services, please contact:

Transmission Service Coordinator  
(417) 885-9263  
TransmissionSvcCoord@aeci.org

## **ATTACHMENT 1**

### **AECI Creditworthiness Procedures**

#### **1. CREDIT REVIEW**

For the purpose of determining the ability of a Customer to fulfill its financial obligations related to Energy, Gas, and Transmission Service, AECI employs reasonable credit review procedures using recognized financial and credit analyses. The credit review procedures consist of data collection, credit evaluation, and overall determination of a Customer's creditworthiness.

#### **2. CREDIT REVIEW PROCEDURES**

- A. Type of Review & Frequency. AECI conducts a review of the creditworthiness of each Customer based upon information collected from a commercial credit service. The creditworthiness review shall be conducted upon the Customer's initial request for Service, and shall be updated thereafter not less frequently than annually.
- B. Discretion. In addition, a creditworthiness review may be conducted at the discretion of AECI to re-evaluate the Customer's creditworthiness in the event that the credit assurances previously provided by the Customer may have become insufficient to protect AECI against the risk of non-payment, or when AECI has reason to believe that the Customer may have experienced a material change in its financial condition. Based on any such creditworthiness review, AECI may require the Customer to provide credit assurance, or increase its previously provided credit assurance, before Service is initiated or continued.

#### **3. CREDIT EVALUATION**

- A. Customer shall provide the following information to AECI as part of the initial application process, as well as to support the ongoing creditworthiness review:
  - i. Financial Statements - Audited financial statements for the last two (2) years that include an accountant's opinion letter, balance sheet, income statement, statement of cash flows, and notes to the statements.
  - ii. Agency Credit Ratings & Reports - The senior unsecured long-term debt ratings assigned to the Customer by Standard & Poor's, Moody's Investors Service and Fitch Ratings.
  - iii. Company Information - Supplementary information, including but not limited to, organization charts evidencing parent and subsidiary relationships. Legal name and state of registration/organization.
  - iv. Other - Such other information as AECI determines is reasonable to require from the Customer.
- B. Creditworthiness Standard. AECI's determination of the Customer's creditworthiness for Service will be based on the following factors:

- i. Creditworthiness determination as defined in 4A.
- ii. Customer payment history to AECI or outside vendors as measured by the Paydex score.
- iii. Prior history of bankruptcy.
- iv. Credit rating of at least BBB- by Standard & Poor's or an equivalent rating by Moody's or Fitch.

#### **4. CREDITWORTHINESS DETERMINATION**

- A. Credit Exposure Calculation. A Customer's Service credit exposure will be established by evaluating a set of financial metrics, along with the Standard & Poor's (or equivalent) long-term debt rating with additional consideration given for the size of the equity balance. The metrics include:
  - o Current Ability to Pay
    - Paydex score
    - Current Ratio (Current Assets/Current Liabilities)
    - Quick Ratio [(Cash + Accounts Receivable)/Current Liabilities]
  - o Leverage
    - Debt/(Debt + Equity)
    - Debt/Assets
  - o Profitability
    - Net Income/Sales
    - Net Income/Assets
  - o Equity Balance
  - o "Capacity to Pay" which is defined as 10% of Equity Balance and is used to limit the credit exposure to the lesser of the Capacity to Pay and assigned credit.
  - o See the Scoring Methodology for the individual scoring for these metrics and the levels of unsecured credit (Attachment 1).
- B. Unsecured Credit. Customers who meet AECI's creditworthiness standard in a manner sufficient to fully support the current or potential credit exposures will be granted credit up to the amount as calculated in 4A.
- C. Secured Credit. If AECI determines that a Customer is not creditworthy, or at any time not fully able to support its current or potential credit exposures based solely on financial viability, AECI will require Customer to provide credit assurance as listed in Section 5(C).
- D. Notification. On AECI's determination that a Customer is not creditworthy, AECI will provide notification by e-mail of the basis for AECI's determination and of AECI's credit assurance requirements specified in Section 5(C).

#### **5. CREDIT ASSURANCE**

- A. Criteria. A Customer who does not satisfy the creditworthiness requirements based on AECI's creditworthiness standards, or whose obligations are greater than the underlying credit exposures, will be required to provide credit assurance to AECI.

- B. Amount. The amount of credit assurance (collateral) that the Customer shall be required to provide under its Service agreements with AECI will be equal to an amount for the service required by the Customer but not larger than an amount determined by AECI under Section 4(A).
- C. Forms of Credit Assurance. The following are forms of credit assurance (eligible collateral) to be issued in an amount sufficient to satisfy the estimated amount of credit exposure.
  - i. Parent Guaranty - a corporate guaranty in a form and substance acceptable to AECI.
  - ii. Letter of Credit - an unconditional and irrevocable standby letter of credit in form and substance acceptable to AECI.
  - iii. Cash Deposit
    - 1) Energy and Gas Service - a cash deposit will be held by AECI and accrue interest at the average rate of AECI's short-term borrowings for each calendar month.
    - 2) Transmission Service – a cash deposit will be held by AECI and accrue interest at the rate established in accordance with 18 CFR 35.19a(a)(2)(iii). See Section 17.3 of the AECI OATT for details.
- D. Right to Contest. The Customer may make reasonable requests for AECI to re-evaluate the amount and/or form of credit assurance required pursuant to Section 4 and/or this Section. AECI will provide an email response indicating the basis for AECI's determination of the amount and/or form of credit assurance requirement.

## **6. TERMINATION OF SERVICE**

- A. If a Customer fails to provide the entire amount of the required credit assurance when due under this procedure, AECI may terminate service to such Customer immediately and provide notice to such Customer as requested.
- B. AECI will provide notice to the Customer that it must provide any credit assurance by the deadline specified in the notice, and that AECI may take corrective actions, including the termination of service, if the Customer fails to provide the required credit assurance by the specified deadline.

# ATTACHMENT 1- Scoring Methodology for Unsecured Credit

Rev 6-23-08

Credit Score Greater Than or Equal To	Credit Limit
0.5	190,476
2.6	1,000,000
3.9	1,500,000
5.3	2,000,000
6.6	2,500,000
7.9	3,000,000
9.2	3,500,000
10.5	4,000,000
11.8	4,500,000
13.1	5,000,000
14.4	5,500,000
15.8	6,000,000
17.1	6,500,000
18.4	7,000,000
19.7	7,500,000
21.0	8,000,000

Weight of Scores	
Highest possible score	21
S&P credit rating	33.33%
Paydex	19.05%
Quick Ratio	9.52%
Current Ratio	9.52%
Debt to Debt + Equity	9.52%
Debt to Assets	9.52%
Net Income to Sales	4.76%
Net Income to Assets	4.76%
Check calculation	100%

Bonus score for large equity balances (in millions)		
-1000		0
50		0
100		1
500		2
1000		3

**Capacity to Pay:** This additional factor will be used to check the assigned credit against a companies capacity to pay. The current measure uses 10% of equity as a measure of Capacity to Pay. This results in limiting the credit to the lesser of capacity and assigned credit.

CREDIT RATING		CURRENT ABILITY TO PAY							
S&P Long	Score	Paydex	Score	Current Ratio (CA/CL)	Score	Quick Ratio (Cash+AR/CL)	Score		
AAA	7	0	0	-1	-2	-1	-2		
AAA-	7	50	0	-0.75	-1.5	-0.75	-1.5		
AA+	6	60	0	-0.5	-1	-0.5	-1		
AA	5	65	1	-0.25	-0.5	-0.25	-0.5		
AA-	5	70	2	0	0	0	0		
A+	4	74	3	1	1	1	1		
A	3	76	3.5	1.25	1.4	1.25	1.4		
A-	3	80	4	1.5	1.6	1.5	1.6		
BBB+	2			1.75	1.8	1.75	1.8		
BBB	2			2	2	2	2		
BBB-	0								
BB+	-20								
BB	-20								
BB-	-20								
B+	-20								
B	-20								
B-	-20								
CCC+	-20								
N/A	0								

LEVERAGE				PROFITABILITY			
Debt/(Debt+Equity)		Debt /Assets		Net Income /Sales		Net Income/Assets	
Score		Score		Score		Score	
0	0	0	0	-20.00	-1	-20.00	-1
0.01	2	0.01	2	-5.00	-0.5	-5.00	-0.5
0.6	1.8	0.1	2	-1.00	-0.1	-1.00	-0.1
0.7	1.6	0.2	2	0.00	0	0.0000	0
0.7	1.6	0.3	1.6	0.01	0.05	0.0025	0.05
0.8	1.2	0.4	1.2	0.03	0.1	0.0050	0.1
0.8	1.2	0.6	0.8	0.05	0.25	0.0100	0.25
0.9	-0.8	0.8	0.4	0.07	0.5	0.0200	0.5
0.9	-0.8	1	-0.8	0.09	0.7	0.0400	0.7
1	-1.2	1.2	-1.2	0.10	0.8	0.0600	0.8
1.5	-1.6	1.4	-1.6	0.15	0.9	0.0800	0.9
2	-2	1.6	-2	0.20	1	0.1000	1