

## **ATTACHMENT L**

### **Creditworthiness Procedures**

#### **Objective**

These guidelines have been developed to establish credit-related conditions for parties seeking transmission services from the Transmission Provider, and to mitigate the Transmission Provider's financial exposure against risk of customer non-payment.

#### **Eligible Customers**

The guidelines apply to all customers seeking the Transmission Provider's transmission services. A customer must not be in default of any payment obligation to the Transmission Provider under the OATT or other legacy Transmission Provider transmission contracts or currently be in bankruptcy proceedings. Such customers do not qualify for unsecured credit under the Transmission Provider's guidelines.

#### **Initial Credit Evaluation Process**

New customers seeking service should be prepared to provide the following information to the Transmission Provider:

1. Rating agency reports (if applicable).
2. Two most recent audited year-end financial statements plus any available quarterly financial statements for current fiscal year.
3. Material issues that could impact the credit decision including but not limited to litigation, arbitration, contingencies, or investigations.

#### **Creditworthiness Determination**

Transmission Provider reserves the right to determine creditworthiness based on a combination of both quantitative and qualitative factors.

#### **Minimum Quantitative Credit Standards for Non-Governmental Customers**

1. If rated, possess a senior, unsecured debt rating or equivalent rating of "BBB-" or higher from Standard & Poor's, "Baa3" or higher from Moody's, or "BBB-" or higher from Fitch. Transmission Provider will utilize the lowest rating if there is a difference.

2. If not rated:
  - Have EBIT Coverage (Earnings Before Interest and Income Taxes/Interest Expense) greater than 1.5 times;
  - Have a Total Debt to Capitalization Ratio less than 70%; and
  - Have Cash Flow From Operations to Total Debt (includes short term debt, long term debt, current portion of long-term debt and capital lease obligations) greater than 10%.

### **Minimum Quantitative Credit Standards for Governmental Customers**

1. If a federal government agency, have its financial obligations under the OATT backed by the full faith and credit of the United States;
2. If a state government agency, have its financial obligations under the OATT backed by the full faith and credit of the state; or
3. Possess EBIT Coverage (Earnings Before Interest and Income Taxes/Interest Expense) of greater than 1.5 times.

### **Qualitative Credit Standards Considered For All Customers**

Transmission Provider will consider qualitative factors in conjunction with the quantitative factors above. The following are some of the factors considered:

1. Years in business
2. Operating environment
3. Management's experience in the industry
4. Market risk (Pricing exposure, credit exposures, operational exposures)
5. Event Risk/Litigation Risk
6. Regulatory Environment (State and Local)
7. Political Environment

### **Establishment of Credit Limit**

Counterparties shall be granted an unsecured credit limit if they meet the minimum credit standards described above, are not in default of any payment obligation to the Transmission Provider under the Tariff or any legacy Transmission Provider transmission contracts, and are not in bankruptcy proceedings.

Counterparties that the Transmission Provider determines *do not* meet the creditworthiness standards above will be notified of the reason for the determination and shall be given the option to post collateral acceptable to the Transmission Provider.

#### **Acceptable collateral:**

- Cash Deposit equal to desired credit limit;
- Letter of Credit form, substance and provider must be acceptable to the Transmission Provider; or
- Guaranty, acceptable to the Transmission Provider, by another person or entity which meets the Transmission Provider's creditworthiness standards

### **Ongoing Evaluation Process**

The Transmission Provider will collect updated financial information on all existing customers on an annual basis. The Transmission Provider may require existing customers to resubmit all of the financial information stated above upon learning of a potential material change in the financial condition of the customer. Customer credit limits will be reviewed at least annually.

*Procedure for providing customers with reasonable notice of changes in credit levels and collateral requirements:*

At any time, at the discretion of the Transmission Provider, if it is decided and recommended that the credit limit or collateral necessitates change, an "action required" or "information only" letter/e-mail will be sent, within 15 days of the decision, to the Primary Contact listed on the Customer Contact form that the customer provided to the Transmission Provider. The letter/e-mail will detail the change in either credit limit or collateral requirement. In some cases, the letter/e-mail sent will be for information only and require no action on behalf of the customer.

*Procedure for providing customers, upon request, a written explanation for any change in credit levels or collateral requirements:*

The customer can request an explanation for any change in credit levels or collateral requirements by responding to the letter/e-mail sent by the Transmission Provider's credit analyst detailing the changes.

Once the credit analyst has sent the letter/e-mail detailing the changes, the customer will have 15 days to respond requesting an explanation for the changes.

*Reasonable opportunity to contest determinations of credit levels or collateral requirements:*

After the credit analyst has sent the written explanation for said changes, the customer will have 15 days to contest the determination of the changes. All credit decisions will be supported and documented based upon credit policy procedures posted on the Transmission Provider's OASIS website.

*Reasonable opportunity to post additional collateral, including curing any non-creditworthy determination:*

If the customer acknowledges the action items in the letter/e-mail, they will then have 30 days to remedy the action items detailed in the letter/e-mail.