



MATL LLP
1100 Louisiana, Suite 3300
Houston, Texas 77002
Phone: (713) 821-2293
Fax: (713) 821-2229

June 16, 2015

VIA ELECTRONIC FILING

The Honorable Kimberly Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: MATL LLP, Docket No. ER15-____-000
Attachment L (Creditworthiness) and Waiver of Prior Notice

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act¹ and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or the "Commission") regulations,² MATL LLP ("MATL") hereby submits revisions to creditworthiness procedures of the MATL Open Access Transmission Tariff ("OATT" or "Tariff") currently on file with the Commission. The purpose of the filing is to create additional commercial flexibility for MATL customers, clarify existing practices, and update certain aspects of Attachment L to reflect operational experience.

The revisions described herein accomplish three goals. First, MATL seeks to create additional commercial flexibility for its customers by relaxing the definition of investment grade and clarifying existing practices by better describing the initial credit

¹ 16 U.S.C. § 824d (2015) ("FPA").

² 18 C.F.R. Part 35 (2015).

evaluation process. Second, the revisions separate provisions for a parental guarantee from a bank letter of credit, change the procedure for re-evaluating financial assurances, and align timing for certain curative periods for customers with long-term and short-term service agreements. Finally, MATL aims to update certain business practices to offer electronic mail as a form of notice and eliminate a cash deposit provision that does not align with legal practices applicable to the Canadian portion of the MATL transmission system.

MATL respectfully requests waiver of FERC's prior notice requirement seeking an effective date as of the date of filing.³ As described herein, many of the proposed revisions are drafted to address risks brought on by MATL's implementation of a first-of-its-kind auction module, expected to enter service on June 18, 2015. Given the dynamic nature of a live auction, MATL seeks to have these provisions effective prior to implementation.

I. DOCUMENTS SUBMITTED

MATL respectfully tenders for filing an electronic copy of the following documents:

1. This Transmittal Letter;
2. Clean version of the revised Attachment L – Creditworthiness;
3. Redlined version of the revised Attachment L – Creditworthiness;
4. A certificate of service.

II. CORRESPONDENCE AND COMMUNICATIONS

³ 18 C.F.R. Part 35.3, 35.11.

Correspondence and communications with respect to this filing should be sent to the following persons, who shall also be authorized to receive notice in this docket:

Stacy Myers
Senior Legal Counsel
Green Power, Transmission, and Emerging
Technology
Enbridge Energy Company, Inc.
1100 Louisiana St., Suite 3300
Houston, TX 77002
Phone: (713) 821-2293
Stacy.Myers@enbridge.com

Travis Allen
Senior Regulatory Analyst
Green Power, Transmission, and Emerging
Technology
Enbridge Energy Company, Inc.
1100 Louisiana St., Suite 3300
Houston, TX 77002
Phone: (713) 821-2027
Travis.Allen@enbridge.com

III. DESCRIPTION OF FILING

A. Description of MATL

A merchant transmission provider, MATL, and its affiliate, Montana Alberta Tie Ltd., developed, built, and now operate a 214-mile, 230 kV alternating current line extending from Lethbridge, Alberta, Canada to Great Falls, Montana (the “MATL Line”). MATL “supports ongoing development of a rich wind-powered generation resource and allows much-needed energy to flow in both directions,” diversifying sources of energy imports to Alberta from the U.S. Pacific Northwest while delivering reliability benefits.⁴ As a merchant project with capital at risk, MATL’s financial success is solely dependent

⁴ Department of Energy, *Quadrennial Energy Review Report: Energy, Transmission, Storage, and Distribution Infrastructure*, 6-11 (April 2015). *See also*, Alberta Electric System Operator, *2014 Annual Market Statistics*, pg. 18 (February 2015). *See Powering Alberta*, “Montana-Alberta tie line now fully operational,” (September 18, 2013).

on revenues from long-term, negotiated transmission scheduling rights (“TSR”) agreements, an auction module process for short-term transmission service, and intra-day sales based on matrix-pricing from creditworthy counterparties.⁵

B. Attachment L

Prior to providing transmission service, MATL requires customers to satisfy certain creditworthiness procedures. As per Commission policy, MATL sets out these procedures in its OATT, primarily through Attachment L. MATL must now update its OATT in order to ensure that the Tariff continues to accurately reflect such credit provisions as required by the Commission.

In Order No. 890, the Commission required transmission providers to modify their OATTs to include the basic credit requirements necessary to obtain service.⁶ The Commission did not require specific creditworthiness requirements, but instead outlined the elements that should be included in the creditworthiness procedures:

- A summary of the procedure for determining the level of secured and unsecured credit;
- A list of the acceptable types of collateral or security;
- A procedure for providing customers with reasonable notice of changes in credit

⁵ On April 16, 2015, MATL announced auction sales will commence June 18, 2015. The Auction Module beta environment is currently open for testing by all customer-users.

⁶ See *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1656 (“Order No. 890”), *order on reh’g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh’g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh’g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

levels and collateral requirements;

- A procedure for providing customers, upon request, a written explanation of any change in credit levels and collateral requirements;
- A reasonable opportunity to contest determinations of credit levels or collateral requirements; and
- A reasonable opportunity to post additional collateral or cure any non-creditworthy determination.⁷

In compliance with Order No. 890, MATL modified its OATT to include creditworthiness procedures at Attachment L. In response, the Commission required MATL to modify their Attachment L on compliance to provide more detail on the process for determining the level of credit in its Attachment L.⁸ In late 2007, MATL submitted two filings, recreating and modifying Attachment L which were subsequently accepted by the Commission.⁹

On June 13, 2008, in response to changes in the global financial markets, MATL filed to further amend Attachment L of its OATT. On June 3, 2009, MATL submitted an uncontested settlement agreement to resolve all outstanding issues between MATL and NaturEner USA, LLC (“NaturEner”). MATL also filed a revised Attachment L to its OATT containing revised creditworthiness provisions. The settlement reduced the security required by non-investment grade shippers from 15 years to a maximum of no more than 10 years. The Settlement also provided that the “credit arrangements specified in the TSR Agreements as amended by the Settlement [are] the sole security and credit

⁷ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1657.

⁸ See *MATL LLP*, 121 FERC ¶ 61,094 at P 30 (2007).

⁹ See *MATL LLP*, Docket Nos. ER07-1174-002, OA07-74-002, (January 14, 2008).

support arrangements for which NaturEner is obligated under MATL's OATT.”¹⁰

Attachment L to the MATL OATT specifies how MATL will evaluate a transmission customer's ability to fulfill its financial obligations and, in the event the customer does not meet investment grade criteria, Attachment L allows for such a customer to provide MATL with other financial assurances. Attachment L has specific, separate creditworthiness provisions for customers with service agreements with a term of one year or more and for those with service agreements less than one year. These provisions align with the timing of MATL's definitions of Long-Term Firm Point-To-Point Transmission Service and Short-Term Firm Point-To-Point Transmission Service.

For customers with service agreements with a term of one year or more, a new or existing customer can satisfy the “investment grade credit criteria:”

- If it has not, pursuant to Section 7.3 of the Tariff, defaulted in the last twelve (12) months, and is “Investment Grade,” meaning it is a BBB-/Baa3 or better rated regulated electric public utility or any other entity that has a minimum rating of A-/A3;
- 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;
- 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;
- is a municipal or state agency, or a rural electric cooperative (without RUS Debt)

¹⁰ See *MATL LLP*, 128 FERC ¶ 61,112 at 6 (2009). The proposed revisions to Attachment L do not impact the credit provisions reached in the settlement and filed with the Commission.

that meet certain requirements related to transmission service, full faith and credit of the municipality or state in which it is established, or demonstrations relating to financial obligations being deemed to be operating expenses;

- provides a letter of unconditional and continuing guaranty from a bank or from Transmission Customer's parent company or affiliate, or;
- 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.

For customers with service agreements with a term of less than one year, a 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.¹¹

Now, with some operational experience, MATL revisits these provisions and others in order to add flexibility, clarity, and conformity to its creditworthiness provisions. The revisions proposed by MATL fall into three categories: general revisions, provisions related to service agreements with a term of one year or more, and conforming business practice changes including timing of cure periods, re-evaluation procedures, and cash deposit provisions.

¹¹ MATL Attachment L, 1.3

IV. Description of Filing

A. General Revisions

MATL proposes two general revisions. First, MATL proposes to strike the title, “Creditworthiness Procedures.” The existing “Creditworthiness & Collateral/Security” header sufficiently describes the Attachment. Removing the preceding title eliminates redundancy and has no commercial impact.

Next, MATL proposes to insert section 1.1.1, “Initial Credit Evaluation Process.” This section adds clarity by describing the documentation the Transmission Provider requires from New Transmission Customers. The proposed language requests:

i) Rating Agency Reports (if applicable); ii) Two most recent audited year-end financial statements plus any available quarterly financial statements for current fiscal year; and iii) Material issues that could impact the credit decision, including but not limited to, litigation, arbitration, contingencies or investigations.¹²

By outlining the basic documentation required for an initial evaluation, MATL intends to offer customers clarity on what is required from them to facilitate a credit evaluation and allow them to purchase capacity on the transmission line.

B. Credit Provisions

1. Provisions for Customers with Service Agreements with a Term of One Year or More

a. Investment Grade

¹² See MATL Redline Attachment L, 1.1.1.

As a merchant transmission provider, MATL is primarily funded by customers who have entered long-term, negotiated financial arrangements at market-based prices. The Commission authorized the sale of transmission rights on the MATL Project at negotiated rates subject to the terms of service set out under the Commission-accepted OATT.¹³ Regarding customers with service agreements with a term of one year or more (“long-term service”), MATL proposes to add flexibility in commercial arrangements by revising the definition of “Investment Grade” in Attachment L. Specifically, MATL proposes to revise the definition of “Investment Grade” to 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 BBB- or higher from Standard and Poor’s (S&P) Long Term Issuer Credit Rating or Baa3 or higher from Moody’s Investor Service, Inc. (Moody’s) Long-Term Issuer Credit Rating, respectively). All ratings are the unsecured, senior long-term debt rating or equivalent rating...~~

MATL proposes to remove the distinction between public utilities and other financial entities in its definition of “Investment Grade” in order to offer an identical standard to all customers. MATL also proposes to relax its minimum Investment Grade rating for all customers to BBB- (S&P) or Baa3 (Moody’s). As a merchant transmission line connecting remote markets based on different underlying fundamentals (the hydro-dominated Pacific Northwest vs. a “gas-on-the-margin” Alberta), MATL seeks to attract

¹³ *Montana Alberta Tie Ltd.*, 116 FERC ¶ 61,071 (2006). MATL amended its OATT on several prior occasions. *See, e.g., Montana Alberta Tie, Ltd.*, 119 FERC ¶ 61,216 (2007); *MATL LLP*, 121 FERC ¶ 61,094 (2007) (accepting MATL’s Order No. 890 compliance filing); *MATL LLP*, 126 FERC ¶ 61,192 (2009) (accepting MATL’s Order No. 890 compliance filing, with certain minor modifications); *MATL LLP*, 128 FERC ¶ 61,112 (2009) (accepting a settlement agreement with respect to the creditworthiness provisions of MATL’s OATT); MATL LLP, Docket No. ER10-3238, November 17, 2010 letter Order accepting MATL’s baseline Tariff OATT. On March 29, 2013, the Commission accepted MATL’s filing of a baseline of its OATT and related agreements.

customers willing to capture the value of providing reliability benefits and prospective renewable developers who may lack physical assets. Both of these customer groups may have credit ratings below that of a load-serving public utility with customers, lines, and poles. Simply put, establishing a single “Investment-Grade” rating level of BBB-/Baa3 for all customers levels the playing field and creates new opportunity for customers to operate without the constraints of a parental guarantee or the expense of a letter of credit.¹⁴

b. Parental Guaranty

Next, MATL revises Section 1.2(v), which in its original version stated that a letter of unconditional and continuing guaranty can be “from a bank or from Transmission Customer’s parent company or affiliate “ MATL proposes to strike “from a bank or” from this section because from the perspective of the transmission owner/provider, a guaranty from a Transmission Customer’s parent company or affiliate is of a much higher value than that of a guaranty from an unaffiliated, third-party financial institution. Furthermore, a load-serving public utility can be expected to have greater stability in its credit rating than that of a bank, which of late has been subject to heightened levels of regulatory scrutiny and instabilities of the financial markets.

MATL also sees a necessity to differentiate guarantees from letters of credit and proposes to move the following passage from later in the current Attachment L to clarify the terms acceptable for a letter of guaranty:

¹⁴ It is important to note that the proposed changes do not impact the existing long term TSRs and credit provisions that were previously negotiated with customers. Such agreements remain in place and unchanged by the new Tariff language.

Any letter of guaranty provided under this Attachment L must be acceptable to Transmission Provider as to form and substance. 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.

c. Long-Term PPAs as Collateral

MATL proposes to revise Section 1.2(vii), provisions related to security for a transmission customer using a long-term power purchase agreement as part of a collateral arrangement. As a transmission line connecting remotely located generation to competitive markets, MATL is likely to have customers seeking service associated with twenty to thirty-year power purchase agreements (PPA). These PPAs, in turn, backed by Investment Grade utilities, can serve as a form of security in conjunction with a guaranty that does not “cover a period greater than ten years for the Initial period or the term of the Service Agreement, whichever is less.” However, beyond the “initial period,” the existing provisions need additional clarity regarding the amount of a guaranty. The intent of the existing provision and the proposed revision in Section 1.2(vii) is that for a transmission customer beyond the “initial period” that is unable to comply with the creditworthiness provisions set forth in Section 1.2(i), the transmission customer:

(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~~ the remaining one-year period of the term of the Service Agreement, including any renewals or extensions exercised pursuant to the Service Agreement, or, if less than one year remains in the term of the Service Agreement, for such remaining period.; or

The plain language reading of the existing provision is that the guaranty amount is for the full term of the remainder of the Service Agreement, paid in full-year installments; revisions will solely clarify this intent.¹⁵

d. Letters of Credit

MATL proposes to create a section 1.2(viii) differentiating letter of credit provisions from a bank or financial institution apart from a parental letter of guaranty. A common practice, MATL is separating these provisions because, in the instance a long-term customer is not investment grade, MATL relies on third-party credit assurance for certainty that the bank will be there if and when a broad downward movement occurs in credit markets. Moreover, key differences in the nature of their operations make a BBB rated financial institution and a BBB corporate entity not comparable. Therefore, MATL proposes to create the new section by largely relocating MATL's existing tariff language. The new section is as follows:

(viii) provide an irrevocable standby letter of credit from a bank or financial institution that has a minimum rating of A/A2 or higher. All ratings are S&P unsecured, senior long-term debt rating or Moody's unsecured, senior long-term debt rating, respectively, and are additive (i.e., in the case of a split rating, the lower rating must also meet the standard). Any letter of guaranty credit provided under this Attachment L must be acceptable to Transmission Provider as to form and substance and the Guarantor must be Investment Grade. The issuing bank or financial institution must have the minimum specified rating at the time of execution and during the

¹⁵ Section 1.2(vii) currently reads "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."

term of the ~~guaranty~~ letter of credit. If the ~~Guarantor~~ issuing bank or financial institution is placed on watch for possible downgraded below the minimum ~~to its credit~~ rating, then Transmission Customer must immediately provide additional financial assurance as provided in this Attachment L. All costs associated with the issuance and maintenance of a letter of credit shall be paid by Transmission Customer.

Separating the treatment of customers using a parental guarantee from a bank letter of credit ensures that customers retain the right for this type of credit assurance while permitting MATL to set an appropriate standard to ensure adequate assurance if credit markets are moving downward in a period of volatility.

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

MATL proposes to revise Section 1.3as follows: [Transmission Customer may elect to] “iii. provide a guaranty from an Investment Grade parent company or affiliate in an amount equal to ~~prepay~~ the Required Security Amount.” MATL prefers financial assurances in the form of a parental guarantee or a letter of credit rather than administration of prepayments for two reasons. First, settling in cash, prior to making purchases in a live auction environment is a less than ideal scenario involving cumbersome true-ups. Second, Canadian bankruptcy courts, contrary to American courts, creditors have less ability to retain debtors cash holdings. This legal difference makes cash holdings less desirable for a company operating in Canada. To date, MATL’s Transmission Customers have not requested the ability to prepay the Required Security Amount; therefore this change is not expected to prejudice any existing Transmission Customers.

C. Credit Re-evaluations

Prior to commercial operation, the MATL Project had a lengthy development period. Creditworthiness for a project in development is very different than for an operating transmission line. Now to reflect the day-to-day challenges of operating in evolving power and credit markets, MATL needs to update certain timing provisions, deposit provisions, and how financial assurances are calculated and re-evaluated. For a merchant transmission line like MATL, the customer-provided assurances are the financial underpinning for success of a long-term investment with capital at-risk.

1. Timing Changes

First, in Section 1.4, MATL proposes to reduce to five, from thirty-five, the amount of days a transmission customer has to provide an adjusted amount of financial assurances required, if the Transmission Customer is not in default. As a pre-commercial project, the existing provision was sufficient; however, this proposed revision is required to reflect the commercial realities of the MATL Line as the auction module goes live this summer. Once the auction environment is live, the potential will exist for MATL to have quickly evolving, significant commercial exposure. Similarly, in order to remedy any potential exposure, MATL needs to be able to adjust the financial assurances provided by long-term and short-term customers.

In Section 1.4.1, MATL proposes to reduce to five, from fifteen, the days a Transmission Customer has to adjust the financial assurance provided if MATL determines that the 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. These changes mirror common business practices in the Pacific Northwest.¹⁶ Likewise, in section 1.4, MATL will add the phrase “and ancillary services” to the description of charges patterning existing language in Section 1.3.

Finally, in section 1.4.5(i), Suspension of Service, MATL proposes to reduce the cure period to 15 from 30 calendar days. While this proposed change in timing does reduce the Transmission Customer’s time to respond, when combined with other notice periods and cure periods it remains consistent with Commission-approved provisions for other transmission providers in the Northwest.¹⁷ Using the proposed timeframes, MATL would not seek to terminate service until the conclusion of the following: the proposed five-business day period of section 1.4.1, the proposed fifteen calendar day period of section 1.4.5(i), and the thirty calendar day (unchanged) period provided in section 1.7. This combination of forty-five calendar days and five business days is nearly equivalent to the 60-days from initial notice period of other providers.

2. Frequency and Discretion of Evaluations

¹⁶ See Northwestern Corporation (Montana) OATT, FERC Electric Tariff Vol. 5, 0.1.0., Attachment L *stating*, “If the Transmission Provider requires the Transmission Customer to post new or additional credit security, must either...post credit security in an amount determined by the Transmission Provider within five (5) business days of receipt of a written notification..”

¹⁷ *Id.* Northwestern OATT, Attachment L *citing*, “Transmission Provider may suspend transmission service if the Transmission Customer is required to post security for transmission services in accordance with this Attachment L, fails to provide such security, and such failure to post security is not corrected within sixty (60) days following Transmission Provider’s notification to the Transmission Customer of the need to cure such failure. Upon the occurrence of such a default, Transmission Provider may initiate a proceeding with the Federal Energy Regulatory Commission (Commission) to terminate service.”

Next, given new potential credit exposure inherent in the auction process, MATL needs the ability to reassess the credit provided by a Transmission Customer more frequently, within reasonable commercial practices, than the existing, twice annual, limited provision. The proposed changes are intended to address the broad set of circumstances that would necessitate increased assurances including changes to the financial condition of the customer, the amount of new or existing transmission service, and other relevant conditions. Currently, Section 1.4 provides that Transmission Customers will not be required to increase financial assurances more than twice every twelve (12) months. MATL seeks the ability to reassess at its sole discretion and within reasonable commercial practices. In Sections 1.4 and 1.4.1, MATL proposes to add language that would permit credit re-evaluations to, “be performed on an annual basis and, at the discretion of the Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with respect to the financial condition of the customer, the amount of new or existing transmission service, or any other relevant condition.” These revisions, like those previously discussed, are based on existing, Commission-approved tariff language of another provider in the region and will facilitate MATL’s ability to quickly react and reassess credit in the potentially dynamic environment that the auction module will create.¹⁸

3. Methodology of Evaluations

In addition to frequency-related revisions, in Section 1.4.1, MATL proposes to restructure the procedure to adjust financial assurances for long-term and short-term

¹⁸ *Id.* Northwestern OATT, Attachment L *citing*, “Credit re-evaluations will be performed at a minimum on an annual basis and, at the discretion of Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with the financial condition of the customer.”

service. Currently, MATL's tariff contains an adjustment procedure based on a comparison between an "average estimated amount that the required credit was based" and if "the *actual* average monthly Transmission Services charges over any subsequent twelve (12) month period" was exceeded. MATL's auction module was designed to encourage customers to evaluate the availability of capacity, determine the utility of the MATL line's capacity to them, and bid accordingly. Given this market-based approach to transmission sales, the auction module software was designed and developed without a "credit limit hard-stop" to encourage unimpeded, customer participation. As such, the ability of MATL to re-evaluate and adjust financial assurances for new service based on a holistic assessment of previous usage, purchases for services in the future, and the financial condition of the company and its corporate parent at the time of assessment is preferable to relying solely on a backward-looking average of actual use. To this point, MATL reiterates that in the auction environment, customers will have the ability to purchase service up to a year in length. Therefore, a customer with a minimum of posted credit based on estimated use, for example ten thousand dollars (\$10,000), could purchase the entire capacity of the line, south-bound; service with an associated value in the six-figure range. As a merchant transmission provider, MATL is willing to take on the risk associated with a dynamic auction environment. However, as a responsible commercial entity, if a customer commits to service out of alignment with credit expectations, MATL must be able to promptly re-evaluate and re-adjust financial assurances commensurate with an acceptable risk tolerance. In keeping with this reconfiguration, MATL proposes, in Section 1.4.2, to add the phrase "of past or pending transmission service" and strike the phrase "of its transmission usage over the preceding twelve (12) month period," to permit as-needed evaluations that include forward-looking

determinations on necessary security. Here again, MATL tailored its proposed revision on the same existing, approved tariff language of another provider in the region.¹⁹

C. Business Practice Changes

Finally, MATL proposes two changes reflecting business practice changes. First, in Section 1.4.4, MATL proposes to add “electronic mail” list the list of acceptable forms of written delivery for notices. Second, MATL proposes to delete Section 1.5(i), Cash Deposits. This provision is at odds with Canadian bankruptcy law. In Canadian courts, in the event of a bankruptcy, the insolvent party may have claim to the cash posted as collateral presenting a clear risk to the collateral holding party. As a cross-border transmission asset between Montana and Alberta, the MATL line straddles two countries with different legal and regulatory structures. As a Canadian-owned transmission asset, MATL must conform with the business practices of its parent company. To date, MATL has never accepted a cash deposit as an alternative form of financial assurance, nor has it received any requests from its customers to utilize a cash deposit as an alternative form of financial assurance. Furthermore, as a transmission line connecting variable energy resources to market, accepting a cash deposit, in an amount sufficient to provide necessary collateral for the full term of a long-term service agreement, which could potentially be up to thirty years, is not a realistic, commercial reality.

¹⁹ *Id.* Northwestern OATT, Attachment L *citing*, “If the Transmission Provider requires the Transmission Customer to post new or additional credit security, the Transmission Customer must either (a) for new transmission service, post credit security prior to the start of transmission service in an amount determined by the Transmission Provider; or (b) for existing transmission service, post credit security in an amount determined by the Transmission Provider within five (5) business days of receipt of a written notification from the Transmission Provider of a change in the creditworthiness of Transmission Customer or Transmission Customer’s guarantor.”

V. Effective Date and Request for Waiver

MATL respectfully requests an effective date of the date of filing. To permit such an effective date, MATL respectfully requests waiver of the Commission's prior notice requirement as set forth at 18 C.F.R. §35.3 and 18 C.F.R. §35.11. As described herein, many of the proposed revisions are drafted to address risks to MATL from the implementation of the auction module, a novel software system to market transmission capacity. If granted, the waiver would offer MATL increased discretion in evaluating the credit of a customer under changed circumstances, reduced time for customers to cure financial assurances and change certain guarantee provisions from the commencement of the auction. However, these impacts to the customer are balanced by the commercial sensitivity of credit evaluations, timing practices that better reflect regional norms, and added flexibility for customers regarding investment grade ratings. The Auction Module is anticipated to open for service on June 18, 2015. If the waiver is not granted, customers would continue to provide security under existing Attachment L provisions which would limit the frequency and discretion of MATL credit evaluations, permit customers with deficient credit greater time to rectify inadequacies, while requiring a more stringent investment grade rating. Given the associated credit risk to this cutting-edge operation, MATL seeks to have these provisions effective prior to the opening of the auction.

VI. Conclusion

For the reasons set forth above, MATL respectfully requests that the Commission accept for filing the proposed revisions to the MATL OATT, and permit such changes to be placed into effect in the manner described herein. If you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Stacy Myers

Stacy Myers
Senior Legal Counsel, Green Power,
Transmission, and Emerging Technology
Enbridge Energy Company, Inc.
1100 Louisiana St., Suite 3300
Houston, TX 77002

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each of the parties listed on the official service list compiled by the Secretary for this proceeding.

Dated at Houston, Texas, this 16th day of June, 2015.

/s/ Stacy Myers

Stacy Myers
Senior Legal Counsel, Green Power, Transmission, and
Emerging Technology
Enbridge Energy Company, Inc.
1100 Louisiana St., Suite 3300
Houston, TX 77002

Dated: June 16, 2015

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.

1.1.1 Initial Credit Evaluation Process

New Transmission 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.

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 BBB- or higher from Standard and Poor's (S&P) Long-Term Issuer Credit Rating or Baa3 or higher from Moody's Investor Service, Inc. (Moody's). Long-Term Issuer Credit Rating, respectively, All ratings are the unsecured, senior long-term debt rating or equivalent rating,~~ 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

Any letter of guaranty provided under this Attachment L must be acceptable to Transmission Provider as to form and substance. 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.

(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 the~~ remaining ~~one year~~ period of the term of the Service Agreement, including any renewals or extensions exercised pursuant to the Service Agreement, or, if less than one year remains in the term of the Service Agreement, for such remaining ~~period;~~ or

(viii) provide an irrevocable standby letter of credit from a bank or financial institution that has a minimum rating of A/A2 or higher. All ratings are S&P unsecured, senior long-term debt rating or Moody's unsecured, senior long-term debt rating, respectively, and are additive (i.e., in the case of a split rating, the lower rating must also meet the standard). Any letter of ~~guaranty credit~~ provided under this Attachment L must be acceptable to Transmission ~~provider~~ Provider as to form and substance. ~~and the Guarantor must be Investment Grade~~ The issuing bank or financial institution must have the minimum specified rating at the time of execution and during the term of the ~~guaranty~~ letter of credit. If the ~~Guarantor~~ issuing bank or financial institution is placed on watch for possible downgraded below the minimum to its credit rating, then Transmission Customer must immediately provide additional financial assurance as provided in this Attachment L. All costs associated with the issuance and maintenance of a letter of credit shall be paid by Transmission Customer.

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)

provide a guaranty from an Investment Grade parent company or affiliate in an amount equal to ~~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 and ancillary services 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 business~~ days of receipt of a notice from Transmission Provider. Credit re-evaluations will be performed on an annual basis and, at the discretion of the Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with respect to the financial condition of the customer, the amount of past or pending transmission service, or any other relevant condition. ~~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 For~~ Transmission Customer provided security pursuant to Section 1.2 or 1.3, if the and Transmission Provider requires the posting of new or additional credit security, the determines that Transmission Customer must either's actual a) for new average monthly tTransmission sServices-, post credit security prior to the start of transmission service in an amount determined by the Transmission Provider; or (b) for existing transmission service, post credit in an amount determined by 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 Provider 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 five (15) business days of a receipt of a written notification from the. ~~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. Credit re-evaluations will be performed on an annual basis and, at the discretion of the Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with respect to the

financial condition of the customer, the amount of new or existing transmission service, or any other relevant condition.

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 past or pending transmission service 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 electronic mail, 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-fifteen~~ (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.

ATTACHMENT L

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.

1.1.1 Initial Credit Evaluation Process

New Transmission 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.

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 minimum rating of BBB- or higher from Standard and Poor's (S&P) or Baa3 or

higher from Moody's Investor Service, Inc. (Moody's). All ratings are the unsecured, senior long-term debt rating or equivalent rating, 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 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

Any letter of guaranty provided under this Attachment L must be acceptable to Transmission Provider as to form and substance. 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.

(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 the remaining period of the term of the Service Agreement, including any renewals or extensions exercised pursuant to the Service Agreement, or, if less than one year remains in the term of the Service Agreement, for such remaining period; or

(viii) provide an irrevocable standby letter of credit from a bank or financial institution that has a minimum rating of A/A2 or higher. All ratings are S&P unsecured, senior long-term debt rating or Moody's unsecured, senior long-term debt rating, respectively, and are additive (i.e., in the case of a split rating, the lower rating must also meet the standard). Any letter of credit provided under this Attachment L must be acceptable to Transmission Provider as to form and substance. The issuing bank or financial institution must have the minimum specified rating at the time of execution and during the term of the letter of credit. If the issuing bank or financial institution downgraded below the minimum rating, then Transmission Customer must immediately provide additional financial assurance as provided in this Attachment L. All costs associated with the issuance and maintenance of a letter of credit shall be paid by Transmission Customer.

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) provide a guaranty from an Investment Grade parent company or affiliate in an amount equal to 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 and ancillary services 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 five (5) business days of receipt of a notice from Transmission Provider. Credit re-evaluations will be performed on an annual basis and, at the discretion of the Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with respect to the financial condition of the customer, the amount of past or pending transmission service, or any other relevant condition.

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

For Transmission Customer provided security pursuant to Section 1.2 or 1.3, if the Transmission Provider requires the posting of new or additional credit security, the Transmission Customer must either a) for new transmission sService, post credit security prior to the start of transmission service in an amount determined by the Transmission Provider; or (b) for existing transmission service, post credit in an amount determined by the Transmission Provider within five (5) business days of a receipt of a written notification from the Transmission Provider. 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. Credit re-evaluations will be performed on an annual basis and, at the discretion of the Transmission Provider, may take place on a more frequent basis, particularly if Transmission Provider has any concern with respect to the financial condition of the customer, the amount of new or existing transmission service, or any other relevant condition.

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 past or pending transmission service 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 electronic mail, 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 fifteen (15) 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) 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.