ATTACHMENT L - Creditworthiness Procedures

PNM has established the following creditworthiness procedures to determine a Transmission Customer's ability to meet its financial obligations related to service provided under the Tariff ("Creditworthiness Procedures").

PNM shall use these Creditworthiness Procedures to evaluate applications for Transmission Service by Transmission Customers that PNM has not previously served under the Tariff. Also, PNM shall use these Creditworthiness Procedures to evaluate a Transmission Customer's creditworthiness upon the request of the Transmission Customer and from time to time in accordance with these Creditworthiness Procedures.

All Transmission Customers shall be subject to the following Creditworthiness Procedures:

1. Upon application for Transmission Service under the Tariff, or upon request by PNM, a Transmission Customer shall provide PNM with evidence satisfactory to PNM verifying that the Transmission Customer has, at a minimum, a corporate unsecured debt rating (as respectively indicated) from one of the following rating agencies: (a) Baa3 by Moody's; (b) 3A2 by Dun and Bradstreet; or (c) BBB- by Standard and Poor's.

2. If a Transmission Customer does not possess a corporate unsecured debt rating from one of the rating agencies set forth in Creditworthiness Procedure No. 1 and is not sixty (60) days or more in arrears, the Transmission Customer may provide PNM with verifiable qualitative and quantitative information, including, but not limited to, the following: (i) audited financial statements of the Transmission Customer; (ii) Transmission Customer's business history, (iii) a description of the nature of the Transmission Customer's organization and operating environment; (iv) Transmission Customer's existing contractual obligations, its governance, financial, accounting, risk management and credit policies; and (v) the state and local regulatory environment in which the Transmission Customer operates. If the Transmission

Customer has not provided reasonable evidence of its financial responsibility satisfactory to PNM by verifying that it has a corporate unsecured debt rating as required in Creditworthiness Procedure No. 1 or through submission of one or more of the five types of information enumerated in this Section, then PNM shall provide written notice of that determination to the Transmission Customer ("Security Notice"), including the basis for PNM's decision. Billing disputes shall not be considered a basis for requiring increased "Security", as defined in this Section, or precluding the Transmission Customer from providing evidence of creditworthiness as described in this Section. The Transmission Customer shall provide to PNM, in a form acceptable to PNM in its sole discretion, a form of collateral as security ("Security") for performance of the Transmission Customer's obligations under the applicable transmission service agreements and/or transmission service reservations submitted on PNM's OASIS. The amount of the Security shall be equal to five times the total anticipated maximum monthly charges based on the Transmission Customer's applicable transmission service agreement and/or transmission service reservation. The form of Security must be acceptable to PNM in its sole direction and may be one of the following:

(a) Cash;

(b) An unconditional and irrevocable standby letter of credit from a federal or state chartered financial institution, which meets the requirements and specifications of, and is in a format acceptable to, PNM;

(c) An escrow account with a federal or state chartered financial institution doing business in the State of New Mexico, which shall expressly list PNM as "beneficiary" on the account. Transmission Customer shall be entitled to retain any interest paid on the principal balance in such escrow account; or

(d) A parental guarantee, if the parent company meets the standards of these Creditworthiness Procedures.

Notwithstanding the foregoing, any Transmission Customer, or Affiliate of that Transmission Customer, that has previously defaulted under a transmission service

agreement under Section 7.3 of the Tariff, shall provide Security in the form of cash equal to five times the total anticipated maximum monthly charges, based on the transmission service requested, prior to PNM accepting the Transmission Customer's transmission service reservation and/or tendering the Transmission Customer a transmission service agreement.

3. If a Transmission Customer does not satisfy Creditworthiness Procedure No. 1, and has either entered into more than one transmission service agreement, or submitted more than one transmission service reservation on PNM's OASIS, that Transmission Customer shall provide Security for each transmission service agreement or transmission service reservation in the form of a single letter of credit, a single escrow account, or a single parental guarantee covering all of the transmission service agreements or transmission service reservations.

4. Any Security provided pursuant to the terms of these Creditworthiness Procedures, shall be provided to PNM by the Transmission Customer and shall become effective and subject to being drawn upon, in the full amount required: (a) within twenty-five (25) days of PNM's provision of the Security Notice; and (b) prior to PNM accepting the Transmission Customer's transmission service reservation for a transmission service request. Such Security shall not expire or be cancelled prior to one hundred twenty (120) days following the date that the transmission service agreement terminates ("120 Day Period") unless the Transmission Customer furnishes replacement Security that satisfies these Creditworthiness Procedures. If a Transmission Customer that is party to a transmission service agreement fails to provide Security as set forth herein, PNM may refuse, without notice, to accept that Transmission Customer's transmission service schedule(s) or transmission service reservation(s) on PNM's OASIS until such time as that Transmission Customer provides PNM with Security that satisfies the criteria in Creditworthiness Procedure No. 2 and is otherwise acceptable to PNM.

5. After the date that the transmission service agreement terminates, and within twenty

(20) days of the Transmission Customer paying all sums due to PNM resolving all outstanding balances pursuant to all applicable transmission service agreement(s), PNM may, in its sole discretion, elect to release the Security prior to expiration of the 120 Day Period.

6. During the term of the transmission service agreement, PNM may perform a credit evaluation for each Transmission Customer approximately every twelve (12) months, or more frequently if PNM has commercially reasonable grounds to believe that there has been a "Material Adverse Change" in a Transmission Customer's creditworthiness. For the purpose of these Creditworthiness Procedures, a "Material Adverse Change" to a Transmission Customer includes, but is not necessarily limited to, the following: (i) a downgrade of any debt rating to below investment grade; (ii) an adverse change in the outlook of any debt rating or being placed on credit watch with negative implication; (iii) a bankruptcy filing; (iv) insolvency or inability to pay debts as they become due; (v) late payments to PNM; (vi) expiration, cancellation, or termination of credit support, if applicable, without PNM's consent; (vii) default on any contractual obligation exceeding 10% of tangible net worth; (viii) judgment in a proceeding adversely affecting creditor's rights; (ix) the appointment of an administrator, liquidator, factor, receiver, custodian or similar official; or (x) a secured party takes possession of all or substantially all of its assets. If a Material Adverse Change occurs and as a result of PNM's reevaluation of the Transmission Customer's creditworthiness they are reasonably deemed no longer creditworthy in accordance with these Creditworthiness Procedures, PNM shall notify the Transmission Customer and the Transmission Customer may be required to provide Security to PNM in accordance with Creditworthiness Procedure No. 2. Billing disputes under the Tariff shall not be considered a basis for requiring increased Security.

7. During the term of the transmission service agreement, if a Transmission Customer assigns its transmission service agreement and/or transmission service reservation (that is pending study completion) to a different Transmission Customer, then PNM

may require that different Transmission Customer to provide Security to PNM in accordance with Creditworthiness Procedure No. 2.

8. A Transmission Customer shall be entitled to dispute PNM's evaluation of a change in creditworthiness and the need for additional Security in accordance with the Dispute Resolution Procedures set forth in Section 12 of the Tariff.

9. PNM may reevaluate the adequacy of any Security required from a Transmission Customer and shall notify the Transmission Customer whether an increase or decrease in the amount of Security, based on such reevaluation, is warranted. Upon request, PNM shall provide a Transmission Customer with a written explanation regarding any change in creditworthiness status or collateral required by PNM. If PNM requires a Transmission Customer to provide and/or increase Security as a result of such reevaluation, such Security shall be provided in accordance with Creditworthiness Procedure Nos. 2, 3, and 4.

10. If a Transmission Customer defaults in the performance of its obligations under the Tariff, PNM shall have the unconditional right to: (a) off-set all of the Transmission Customer's obligations under the Tariff against any Security held by PNM to secure the Transmission Customer's obligations; and (b) withhold payment of any obligation owed by PNM to the Transmission Customer regardless of how such obligation shall have arisen. PNM's right to withhold payment shall extend up to, and include, an amount equal to the sum of all obligations owed by Transmission Customer to PNM under any transmission service agreements and shall include the unconditional right to off-set such amount owed to the Transmission Customer against any obligation(s) due from the Transmission Customer to PNM. PNM shall provide the Transmission Customer with written notification of any off-set pursuant to this Creditworthiness Procedure No. 10.

11. If there are proceedings instituted by or against a Transmission Customer in bankruptcy or under any insolvency law or law for reorganization, receivership or

dissolution, or if a Transmission Customer makes an assignment of its transmission service reservation or transmission service agreement for the benefit of creditors or any general arrangement with creditors, PNM may: (a) require Security from the Transmission Customer in accordance with Creditworthiness Procedure Nos. 2, 3, and 4; and/or (b) refuse, without notice, to accept that Transmission Customer's transmission service schedule(s) or transmission service reservation(s) submitted on PNM's OASIS.

12. PNM's exercise of any right under these Creditworthiness Procedures shall be without prejudice to any claim for damages or any other legal or equitable rights of PNM.