

ATTACHMENT L
CREDIT POLICY

POLICY STATEMENT:

It is the policy of the Transmission Provider that prior to an entity (“Applicant”) taking any service under this Tariff, holding any FTR or becoming a Transmission Customer or Market Participant, the Applicant must demonstrate its ability to meet the Transmission Provider’s credit requirements.

Prior to becoming a Transmission Customer, Market Participant or Coordination Customer (together “Tariff Customer”), of the Transmission Provider, each Applicant must have an approved credit application (including having executed a Credit and Security Agreement, in form and substance acceptable to the Transmission Provider, in its sole discretion) and establish a Total Credit Limit with the Transmission Provider for services under this Tariff, including, without limitation, Transmission Service and Market Activities. Because all Transmission Service transactions are subject to congestion costs and marginal losses, every Transmission Customer of the Transmission Provider must either apply to be a Market Participant or be represented by a duly authorized Market Participant in good standing pursuant to the terms and conditions of this Credit Policy and the Agreements. In addition to completing a credit application, each Applicant and/or Tariff Customer will be subject to a complete credit evaluation that will include, but not be limited to, a review of financial statements, Rating Agency reports, and other pertinent indicators of credit strength. An existing Transmission Customer who is applying to become a Market Participant need not provide the information required in Section I.A of this Credit Policy as such information is already on file with Transmission Provider.

POLICY INTENT:

This Credit Policy describes requirements for: (1) the establishment and maintenance of credit by Market Participants, Transmission Customers, and Applicants pursuant to one or more Credit and Security Agreement(s), and (2) forms of security that will be deemed acceptable (hereinafter the “Financial Security”) in the event the Applicant and/or Tariff Customer does not satisfy the financial requirements to establish Unsecured Credit to cover its Total Potential Exposure.

This policy also sets forth: (i) the basis for establishing the individual Total Credit Limit that will be imposed on an Applicant and/or Tariff Customer in order to minimize the possibility of failure of payment for services rendered pursuant to the Agreements and (ii) various obligations and requirements the violation of which will result in a Default pursuant to this policy, this Tariff and the Agreements.

The Transmission Provider shall administer and implement the terms of this Credit Policy.

APPLICABILITY:

This policy applies to all Applicants and Tariff Customer who take Transmission Service under this Tariff, utilize services or participate in the Energy and Operating Reserve Markets, hold FTRs, ARRs or otherwise participate in Market Activities under Module C of this Tariff or Resource Adequacy Requirements activities under Module E of this Tariff. This policy also applies to Reliability Coordination Customers, and Congestion Management Customers that take service under Module F of this Tariff.

NOTICE:

All written notifications by the Transmission Provider under this policy shall be in accordance with Section 7.21 of this Tariff. Notifications to Applicants and/or Tariff Customer will be sent to their credit contact.

IMPLEMENTATION:

I. CREDIT EVALUATION

Each Applicant will be subject to a complete credit evaluation in order for the Transmission Provider to determine creditworthiness and to establish an Unsecured Credit Allowance, if appropriate. The Transmission Provider will identify any necessary Financial Security requirements and establish a Total Credit Limit for each Applicant and/or Tariff Customer. In addition, the Transmission Provider will perform follow-up credit evaluations on at least an annual basis. *See* Section I.B of this Credit Policy entitled “Ongoing Credit Evaluation” for further information.

If a Corporate Guaranty is being utilized to establish credit for an Applicant and/or Tariff Customer, the Guarantor will be evaluated and the Unsecured Credit Allowance granted, if any, based on the financial strength of the Guarantor.

A. Initial Credit Evaluation

In completing the initial credit evaluation, the Transmission Provider will consider:

1) Rating Agency Reports

In evaluating credit strength, the Transmission Provider will review Rating Agency reports from Standard & Poor’s, Moody’s Investors Service, Fitch Ratings, or other Rating Agencies. The focus of the review will be on an entity’s unsecured, senior long-term debt ratings. If unsecured, senior long-term debt ratings are not available the Transmission Provider may consider Issuer Ratings. The Transmission Provider will also evaluate creditworthiness based on financial statements and other information as described below. The same quantitative and qualitative factors will be used to evaluate entities whether or not they have rated debt.

2) Financial Statements and Related Information

Each Applicant must submit financial statements for each completed fiscal quarter of the then current fiscal year including the most recent fiscal quarter, as well as audited financial statements for the three fiscal years most recently ended, or the period of existence of the Applicant, if shorter.

The information should include, but not be limited to, the following:

- a. If publicly traded:
 - i. Annual Reports on Form 10-K for the three fiscal years most recently ended, together with any amendments thereto;
 - ii. Quarterly Reports on Form 10-Q for each completed fiscal quarter of the then current fiscal year, together with any amendments thereto; and
 - iii. Form 8-K reports, if any have been filed since the most recent Form 10-K.
- b. If privately held, for each of the three fiscal years most recently ended and each completed fiscal quarter of the then current fiscal year
 - i. Report of Independent Accountants for each fiscal year;
 - ii. Financial Statements, including:
 - Balance Sheet
 - Income Statement
 - Statement of Cash Flows
 - Statement of Stockholder's Equity;
 - iii. Notes to Financial Statements; and
 - iv. Management's Discussion & Analysis (if available)

If the above information is available through the Internet, the Applicant may provide a letter stating where such information can be located and retrieved by the Transmission Provider. If an Applicant files Form 10-K, Form 10-Q or Form 8-K with the Securities and Exchange Commission (“SEC”), then the Applicant has satisfied the requirement of indicating to the Transmission Provider where the information in this Section I.A.2(a) can be located through the Internet. For certain Applicants, some of the above financial submittals may not be applicable, and alternate requirements may be specified by the Transmission Provider.

In the credit evaluation of cooperatives, government agencies and municipalities, the Transmission Provider may request additional information as part of the overall financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3) References

Each Applicant is to provide at least one (1) bank and three (3) Significant Trade References.

4) Litigation, Commitments and Contingencies

Each Applicant is also required to identify and provide information as to any known pending or, to the knowledge of any such Applicant's directors, officers or general counsel, threatened litigation, arbitrations, investigations, proceedings, commitments, contingencies, or liabilities that is Material or would be Material if adversely determined, as well as any prior bankruptcy declarations or petitions by or against the Applicant, its predecessors, subsidiaries or Affiliates, or any Material defalcations or fraud by or involving the Applicant, its predecessors, subsidiaries or Affiliates, or any of their respective assets, if any. These disclosures shall be made by Applicant upon application, and promptly upon any initiation or change with respect to any of the above matters. The Applicant shall resubmit and update such information at least annually thereafter, or as requested by the Transmission Provider.

5) Other Disclosures

Each Applicant is required to disclose any Affiliates that are Tariff Customers and/or Applicants of the Transmission Provider. Each Applicant is also required to disclose the existence of any ongoing investigations by the SEC, the Commission, or any other governing, regulatory, or standards body. These disclosures shall be made by all Applicants upon application, and promptly upon any initiation or change with respect to any of the above matters. The Applicant shall resubmit and update such information at least annually thereafter, or as requested by the Transmission Provider.

6) Public Sector Adjustments to the Unsecured Credit Allowance Calculation and Municipality Security Interest in Accounts Receivable Exemption to Qualify as a Category A Tariff Customer

a) Municipality or Joint Action Agency: A municipality or Joint Action Agency requesting (i) its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of Revenue Bonds issued by the Applicant when such Revenue Bonds are issued solely in support of the Applicant's role as power supply agent for not-for-profit electric distribution utilities, and/or (ii) an exemption for granting a first priority security interest a Receivable Security Interest for the purpose of qualifying as a Category A Tariff Customer, as defined in Section II.G of this Credit Policy, must provide the Transmission Provider with the following information:

Management representation letter stating:

- (i) Principal amount, in dollars, of Revenue Bonds outstanding;
- (ii) Prior to default and after default, debt service on the Revenue Bonds is payable only after operating expenses are paid;
- (iii) Amounts payable to the Transmission Provider for transmission and energy and ancillary services under this Tariff are operating expenses for purposes of the Revenue Bonds; and
- (iv) The trustee for the revenue bonds has a valid and binding security interest in the revenues or net revenues from the power supply contracts to secure payment of the Revenue Bonds and the Applicant has not granted any lien thereon prior to the lien of the bond resolution.

Opinion of counsel stating:

- (i) The power supply contracts are binding obligations of the Applicant enforceable in accordance with their terms;
- (ii) The trustee of the Revenue Bonds has a valid and binding security interest in, or assignment and pledge of, the revenues or net revenues from the power supply contracts to secure payment of the Revenue Bonds;
- (iii) The resolution or other document creating the security interest or pledge and providing for the priority of payment is enforceable in accordance with its terms;
- (iv) Prior to default and after default, debt service on the Revenue Bonds is payable only after operating expenses are paid; and
- (v) Amounts payable to the Transmission Provider for transmission and energy and ancillary services under this Tariff are operating expenses for purposes of the Revenue Bonds.

All Rating Agency ratings on Revenue Bond(s).

The opinion of counsel referenced above shall be provided to the Transmission Provider together with copies of the most recent written opinions of counsel, if any, for each member of the Applicant that relate to the enforceability of the power supply contract(s).

b) Electric Generation and Transmission Cooperatives:

An Electric Generation and Transmission Cooperative (Coop) with a Composite Credit Score between 1.00 and 3.99 as determined by the Transmission Provider's credit scoring model requesting its suggested Unsecured Credit Allowance calculation reflect as equity fifteen percent (15%) of its long-term debt as stated on its most recently audited year-end financial statement must provide the Transmission Provider with a Sample Membership Agreement and a:

Management Representation Letter stating:

- (i) The Sample Membership Agreement is the document which establishes the rights and obligations between the Coop and its members. The Sample Membership Agreement is the same agreement executed by the Coop and each of its members;
- (ii) The duration of the membership agreement(s) equals or exceeds the duration of the Coop's long-term debt obligations;
- (iii) The Coop and each of its members are in compliance with all of their respective debt covenants;
- (iv) The consolidated Tangible Net Worth of all of the Coop's members;
- (v) The Coop has the ability to set rates or has a formula driven rate tariff in place;
- (vi) The Coop's purchases from the Transmission Provider are covered by the fuel adjustment and/or purchased power clauses contained within the executed membership agreements and are included in the calculation of the Coop's rate structure; and
- (vii) The Sample Membership Agreement covers all operating, finance and capital expenditures incurred by the Coop.

7) Initial value of the Total Potential Exposure for credit monitoring purposes.

The initial value for a Applicant's Total Potential Exposure shall be determined in accordance with the formulas in this Section 7.

a) Estimated Peak Load Data Requirement

Each Applicant will present to Transmission Provider staff its estimated annual peak load for Network Integration Transmission Service by Point of Delivery and its estimated amount of reserved Capacity for Point-To-Point Transmission Service by Point of Delivery. This information is identified on the "Service Worksheet" in Section X (pp. 6, 7 and 8) of the Market Participant Application.

b) Initial Value of Total Potential Exposure Associated with Transmission Service

A calculation using the information provided in the "Service Worksheet" and applicable Transmission Service rates for each month of service creates the initial value of Total Potential Exposure component associated with Transmission Service needed for credit monitoring purposes.

c) Initial Value of Total Potential Exposure Associated with Energy and Operating Reserve purchases and Energy and Operating Reserve supply

The following calculations will be used to determine the initial value of the Total Potential Exposure component associated with Energy and Operating Reserve purchases and Energy and Operating Reserve supply needed for credit monitoring purposes:

- (i) For Energy and Operating Reserve purchase exposure, the formula is:
The estimated peak load (MWh purchase requirement for a given hour) x 720 hours x the average historical Day-Ahead price for the preceding three (3) month period.
- (ii) (A) For Energy and Operating Reserve supply exposure for all entities other than ARCs the formula is:
The maximum MWh capacity of generating unit(s) x 720 hours x the average historical Day-Ahead price for the preceding three (3) months x five percent (5%).

(B) For Energy and Operating Reserve supply exposure for ARCs the formula is:
The maximum MWh capacity of demand resource(s) x 345 hours x the average historical Day-Ahead price for the preceding three (3) months x five percent (5%).

For both (A) and (B) a value of \$26.00 per MWh will be used as the value for the historical Day-Ahead price until changed. A new value will be calculated and made effective September 1, 2009, and every three (3) months thereafter.

d) Initial Value of Total Potential Exposure Associated with Virtual Transactions

Each Applicant that intends to participate in any Virtual Transactions will notify the Transmission Provider staff of its desired Virtual MWh Limit. The desired Virtual MWh Limit will be used to determine the initial value of Total Potential Exposure component associated with Virtual Transactions.

e) FTR Auction Designation

Each Applicant that intends to submit FTR Offers or FTR Bids in an FTR Auction will **notify** the Transmission Provider staff of its **desired** FTR Auction Credit Allocation. **The desired FTR Auction Credit Allocation will be considered when calculating the initial value of Total Potential Exposure.**

f) RAR Auction Designation

Each Applicant that intends to submit RAR Bids in an RAR Auction will notify the Transmission Provider staff of its desired RAR Auction Credit Allocation. The desired RAR Auction Credit Allocation will be considered when calculating the initial value of Total Potential Exposure.

g) Other Information

Each Applicant will submit such additional information requested by the Transmission Provider necessary to calculate the Applicant's Total Potential Exposure.

B. Ongoing Credit Evaluation

On at least an annual basis, the Transmission Provider will perform follow-up credit evaluations on each Tariff Customer. In completing the credit evaluation, the Transmission Provider will consider:

1) Rating Agency Reports

In evaluating credit strength, the Transmission Provider will review Rating Agency reports from Standard & Poor's, Moody's Investors Service, Fitch Ratings, or other Rating Agencies. The focus of the review will be on an entity's unsecured, senior long-term debt ratings. If unsecured, senior long-term debt ratings are not available the Transmission Provider may consider Issuer Ratings. The Transmission Provider will also evaluate creditworthiness based on financial statements and other information as described below. The same quantitative and qualitative factors will be used to evaluate entities whether or not they have rated debt.

2) Financial Statements and Related Information

Each Tariff Customer with an Unsecured Credit Allowance, each Guarantor under a Corporate Guaranty accepted by the Transmission Provider for the benefit of the Tariff Customer, and each Affiliate of each Guarantor for whose benefit such Guarantor provided a Corporate Guaranty accepted by the Transmission Provider ("Guaranteed Affiliate") must submit, or cause to be submitted, the following:

- a. Audited annual financial statements as soon as they become available and no later than one hundred twenty (120) days after such entity's fiscal year end; and
- b. Quarterly financial statements promptly upon their issuance, but no later than sixty (60) days after the end of each fiscal quarter of such entity.

The information should include, but not be limited to, the following:

- a.** If publicly traded:
 - i.** Annual and quarterly reports on Form 10-K and Form 10-Q, respectively, together with any amendments thereto; and
 - ii.** Form 8-K reports, if any;
- b.** If privately held, for each fiscal year and fiscal quarter:
 - i.** Report of Independent Accountants for each fiscal year;
 - ii.** Financial Statements, including:
 - Balance Sheet
 - Income Statement
 - Statement of Cash Flows
 - Statement of Stockholder's Equity;
 - iii.** Notes to Financial Statements; and
 - iv.** Management's Discussion & Analysis (if available).

If the above information is available through the Internet, the Tariff Customer, Guarantor or Guaranteed Affiliate may provide a letter stating where such statements can be located and retrieved by the Transmission Provider. If a Tariff Customer, Guarantor or Guaranteed Affiliate files Form 10-K, Form 10-Q or Form 8-K with the SEC, then the entity has satisfied the requirement of indicating to the Transmission Provider where the information in this Section I.B.2 (a) can be located through the Internet. For certain Tariff Customers, Guarantors or Guaranteed Affiliates some of the above financial submittals may not be applicable, and alternate requirements may be specified by the Transmission Provider.

In the credit evaluation of cooperatives, government agencies and municipalities, the Transmission Provider may request additional information as part of the ongoing financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3) Material Changes

Each Tariff Customer is responsible for informing the Transmission Provider, in writing, of any Material Change in its financial condition (or the financial condition of its Guarantor or any Guaranteed Affiliates) within five (5) Business Days of the occurrence of the Material Change. If a Tariff Customer, Guarantor or Guaranteed Affiliate files Form 10-K, Form 10-Q or Form 8-K with the SEC, then the entity has satisfied the requirement to inform the Transmission Provider in writing of any Material Change described in such filing.

For the purpose of this policy, a Material Change in financial condition includes, but is not limited to, the following:

- a. A downgrade of any debt rating or Issuer Rating;
- b. A change in the outlook of any debt rating or Issuer Rating;
- c. Being placed on a credit watch with negative implication by a Rating Agency;
- d. A bankruptcy filing;
- e. Insolvency;
- f. The filing of a lawsuit or initiation of an arbitration, investigation or other proceeding which could have a Material adverse effect on any current or future financial results or financial condition;
- g. Any changes in financial condition which, individually, or in the aggregate, are Material;
- h. Any adverse changes, events or occurrences which, individually or in the aggregate, could affect the ability of the entity to pay its debts as they become due or could have a Material adverse effect on any current or future financial results or financial condition;
- i. Disclosure of conflict of interest issues; or
- j. Resignation or removal of a key officer or director.

Upon notification of a Material Change, the creditworthiness of the Tariff Customer will be reevaluated by the Transmission Provider. Such reevaluation may result in a requirement for the Tariff Customer to provide Financial Security or additional Financial Security, as the case may be. The Transmission Provider will notify the Tariff Customer in writing upon completion of the reevaluation of the need for Financial Security, if any. The Tariff Customer will have two (2) Business Days from receipt of written notification (three (3) Business Days if notification occurs after noon Eastern **Prevailing** Time) to provide the required Financial Security, in an amount and form approved by the Transmission Provider.

4) Litigation, Commitments, and Contingencies

Each Tariff Customer is required to identify and provide information as to any known pending or, to the knowledge of any of such Tariff Customer's directors, officers or general counsel, threatened litigation, arbitrations, investigations, proceedings, commitments, contingencies or liabilities with respect to the Tariff Customer, the Guarantor, the Guaranteed Affiliates, their respective predecessors, subsidiaries or Affiliates that is Material or would be Material if adversely determined, as well as any prior bankruptcy declarations or petitions by or against the Tariff Customer, the Guarantor, the Guaranteed Affiliates or their respective predecessors, subsidiaries or Affiliates, or any Material defalcations or fraud by or involving any assets of the Tariff Customer, the Guarantor, the Guaranteed Affiliates, or their respective predecessors, subsidiaries or Affiliates, if any. These disclosures shall be made promptly upon any initiation or change with respect to any of the above matters. If a Tariff Customer, Guarantor or Guaranteed Affiliate files Form 10-K, Form 10-Q or Form 8-K with the SEC, then the entity has satisfied the requirement to inform Transmission Provider in writing of any such information disclosed in such filing. The Tariff Customer shall resubmit and update such information at least annually, or as requested by the Transmission Provider.

5) Other Disclosures

Each Tariff Customer is required to disclose any Affiliates that are currently Tariff Customers or are applying to be Tariff Customer. Each Tariff Customer is also required to disclose the existence of any ongoing investigations of Tariff Customer, Guarantor or any Guaranteed Affiliate by the SEC, FERC, or any other governing, regulatory, or standards body. These disclosures shall be made promptly upon any initiation or change with respect to any of the above matters. If a Tariff Customer, Guarantor or Guaranteed Affiliate files Form 10-K, Form 10-Q or Form 8-K with the SEC, then the entity has satisfied the requirement to inform the Transmission Provider in writing of any investigation disclosed in such filing. The Tariff Customer shall resubmit and update such information at least annually, or as requested by the Transmission Provider.

6) Public Sector Adjustments to the Unsecured Credit Allowance Calculation

Municipality of Joint Action Agency:

A Tariff Customer that initially qualified to have its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of Revenue Bonds issued by the Tariff Customer and/or qualified for an exemption to provide a Receivable Security Interest for the purpose of qualifying as a Category A Tariff Customer, and is requesting to continue to have its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of Revenue Bonds issued by the Tariff Customer when such Revenue Bonds are issued solely in support of the Tariff Customer's role as power supply agent for not-for-profit electric distribution utilities and/or requesting to qualify for an exemption to provide a Receivable Security Interest for the purpose of qualifying as a Category A Tariff Customer, must at all times comply with the following information reporting requirements:

- (a) The Tariff Customer must advise the Transmission Provider of the principal amount of Revenue Bonds outstanding on an annual basis;
- (b) The Tariff Customer must advise the Transmission Provider within ten (10) days if the principal amount of the Revenue Bonds outstanding is reduced by more than twenty percent (20%) from the amount last certified by the Tariff Customer;
- (c) The Tariff Customer must advise the Transmission Provider immediately if the security interest of the trustee is released or the Tariff Customer grants any lien prior to the lien of the bond resolution; and
- (d) The Tariff Customer must advise the Transmission Provider within ten (10) days of any downgrade of any of the Tariff Customer's Revenue Bond ratings issued by a Rating Agency.

Electric Generation and Transmission Cooperatives:

A Coop with a current Composite Credit Score between 1.00 and 3.99 as determined by the Transmission Provider's credit scoring model that is requesting to continue to have its suggested Unsecured Credit Allowance calculation reflect as equity fifteen percent (15%) of its long-term debt as stated on its current year-end audited financial statement, must at all times comply with the following information reporting requirements, by stating the following:

- (a) The Sample Membership Agreement initially provided to the Transmission Provider in connection with its request for an Unsecured Credit Allowance continues to be the document which establishes the rights and obligations between the Coop and its members;
- (b) In the alternative, the Coop will advise the Transmission Provider of any changes to the Sample Membership Agreement previously provided and provide a redlined copy of the Sample Membership Agreement highlighting the changes;
- (c) The duration of the Sample Membership Agreement(s) equals or exceeds the duration of all of the Coop's long term debt obligations;
- (d) The Coop and each of its members are in compliance with all of their respective debt covenants;
- (e) The consolidated Tangible Net Worth of all of the Coop's members;
- (f) The Coop has the ability to set rates or has a formula driven rate tariff in place;
- (g) The Coop's purchases from the Transmission Provider are covered by the fuel adjustment and/or purchased power clauses and included in the Coop's rate structure; and
- (h) The Sample Membership Agreement covers all operating, finance and capital expenditures incurred by the Coop.

II. CREDITWORTHINESS AND TOTAL CREDIT LIMIT

A. Evaluation of Creditworthiness

A Composite Credit Score will be generated from the Transmission Provider's review and analysis of the information obtained through the initial and ongoing credit evaluation process described in Section I of this Credit Policy. Key factors in the scoring process include, but are not limited to, ratings from Rating Agencies, financial statements and Significant Trade References. The Transmission Provider will consistently apply the credit scoring process described in Section II.A of this Credit Policy in determining Composite Credit Scores.

1) Composite Credit Score – Public Power Sector

The Public Power Sector analysis will be comprised of a Quantitative and Qualitative analysis. Each analysis is then weighted as shown below to build a total composite score.

Analysis	Weight
Quantitative Score	40%
Qualitative Score	60%

Quantitative Score (40%)

The Quantitative Score is developed by evaluating and weighting the seven (7) financial metrics listed in the table below.

Public Power Financial Metric	Weight
Days Cash/SGA + Interest Expense	20%
Debt Service Coverage	15%
Equity/Total Assets	15%
Times Interest Earned	15%
Cash/Current Liabilities	15%
CFFO/Total Debt	10%
Capex/Sales	10%

The calculated measures are compared to a set of industry benchmarks appropriate for Public Power Market Participants to assign a score within six distinct quality levels ranging from 1.00 to 6.99. These scores are then assigned a weighting to calculate a total Quantitative Score.

A score of 1.00 indicates that the Tariff Customer has strong financial health with regard to the relevant measure, while a score of 6.99 indicates poor financial health with regard to the relevant measure.

Note: There are 100 basis points within each scoring range. The one (1) range represents scores from 1.00 to 1.99 while the six (6) range represents scores from 6.00 to 6.99.

Within each quality level, fractional scores are computed linearly from the defined boundaries. For example, a Times Interest Earned value of 1.85 (refer to the Public Power Financial Benchmarks table below) would result in a score of 1.67 because it is between the low and high ends of the 1.00 to 1.99 quality level range.

Public Power Ratios

Days Cash / Selling General & Administrative Expense (SGA) + Interest Expense = (Cash + Cash Equivalents + Short Term Investments) * 360 days / (SGA + Operating + Maintenance + R&D Expenses)

Debt Service Coverage = (Operating Income (Loss) + Depreciation + Amortization) / (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Interest Expense)

Equity / Total Assets = Net Worth / Total Assets

Times Interest Earned = (Net Income (Loss) + Interest Expense + Income Taxes) / Interest Expense

Cash / Current Liabilities = (Cash + Cash Equivalents + Short Term Investments) / Current Liabilities

Cash Flow from Operations (CFFO) / Total Debt = Net Cash Provided from Operations / (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans)

Capital Expenditures (Capex) / Sales = Capital Expenditures / Total Revenue

Public Power Financial Benchmarks

Days Cash/SGA + Financial Expense			Cash/Current Liabilities		
From	To	Rank	From	To	Rank
		1.00 to			1.00 to
677	730	1.99 2.00	94.16	143.89	1.99 2.00
		to			to
328	676	2.99 3.00	54.08	94.15	2.99 3.00
		to			to
194	327	3.99 4.00	42.15	54.07	3.99 4.00
		to			to
108	193	4.99 5.00	26.75	42.14	4.99 5.00
		to			to
19	107	5.99 6.00	4.70	26.74	5.99 6.00
		to			to
0	18	6.99	0.01	4.69	6.99
Debt Service Coverage			CFFO/Total Debt		
From	To	Rank	From	To	Rank
		1.00 to			1.00 to
1.51	1.80	1.99 2.00	0.24	0.35	1.99 2.00
		to			to
1.21x	1.50	2.99 3.00	0.13	0.23	2.99 3.00
		to			to
0.91	1.20	3.99 4.00	0.10	0.12	3.99 4.00
		to			to
0.61	0.90	4.99 5.00	0.07	0.09	4.99 5.00
		to			to
0.31	0.60	5.99 6.00	0.04	0.6	5.99 6.00
		to			to
0.01	0.30	6.99	0.01	0.03	6.99
Equity/Total Assets			Capex/Sales		
From	To	Rank	From	To	Rank
		1.00 to			1.00 to
0.55	0.83	1.99 2.00	42.68	66.36	1.99 2.00
		to			to
0.37	0.54	2.99 3.00	16.11	42.67	2.99 3.00
		to			to
0.21	0.36	3.99 4.00	9.14	16.10	3.99 4.00
		to			to
0.17	0.20	4.99 5.00	6.92	9.13	4.99 5.00
		to			to
0.13	0.16	5.99 6.00	2.06	6.91	5.99 6.00
		to			to
0.01	0.12	6.99	0.01	2.05	6.99

Times Int Earned		
From	To	Rank
		1.00 to
1.56	2.00	1.99
		2.00 to
1.26	1.55	2.99
		3.00 to
0.96	1.25	3.99
		4.00 to
0.66	0.95	4.99
		5.00 to
0.36	0.65	5.99
		6.00 to
0.01	0.35	6.99

Qualitative (60%)

The qualitative score will assess all non-financial measure information about a Tariff Customer's financial health. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics of each Public Power Tariff Customer:

- (i) the ability to set rates without seeking regulatory approval;
- (ii) the financial protections afforded unsecured creditors contained in the contracts and other legal documents related to the formation and governance of public power entities;
- (iii) the number and composition of members or customers of the entity;
- (iv) the exposure to energy price risk for load served by the entity;
- (v) rating agency ratings assigned to unsecured debt; and
- (vi) other non-financial measures of creditworthiness.

To illustrate, assume the following for a Public Power Tariff Customer:

Public Power Qualitative Score = 2.0

Quantitative Metrics:

Metrics	Value	Rank	Weight	Score
Days Cash / SGA + Financial Expense	184	4.10	20%	0.82
Debt Service Coverage	6.22	1.00	15%	0.15
Equity / Total Assets	0.13	5.99	15%	0.90
Times Int. Earned	1.85	1.67	15%	0.25
Cash / Current Liabilities	90.70	2.08	15%	0.31
CFFO / Total Debt	0.30	1.46	10%	0.15
Capex / Sales	3.34	5.73	10%	0.57

Quantitative Score	3.15
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Public Power Composite Score = (60% x 2.0) + (40% x 3.15) = 2.46

2) Composite Credit Score – Non-Public Power Sector

A Non-Public Power Composite Score shall be derived for each Tariff Customer that does not meet the definition of Public Power as defined in Module A. The Non-Public Power Analysis will be comprised of a Quantitative and Qualitative analysis. Each analysis is then weighted as shown below to build a total composite score.

Analysis	Weight
Quantitative Score	60%
Qualitative Score	40%

Quantitative Score (60%)

There are twelve (12) financial metrics used in developing the Composite Credit Score for - Non-Public Power companies. These individual metrics are grouped into one of three main analytical components. The weighted scores for the individual metrics form the score for each of the three major components reviewed.

The component scores are then weighted to develop the total Quantitative score. The three major components and the weightings assigned to their respective scores are as follows:

Liquidity: 30%
Leverage: 20%
Performance: 50%

The individual metrics reviewed to develop each of the component scores are detailed in the table below.

Liquidity (30%)	
Metric	Weight
EBITDA / Interest Exp	25%
Cash Earnings / Debt Service	35%
Free Cash Flow / Total Debt	30%
Quick Ratio	10%
Leverage (20%)	
Metric	Weight
Debt / Total Capitalization	35%
Short Term Debt / Total Debt	15%
Debt / Net Fixed Assets	25%
Debt / TNW	25%
Performance (50%)	
Metric	Weight
Return on Sales %	25%
Return on Assets %	25%
Operating Margin %	25%
Return on Equity %	25%

The calculated measures are compared to a set of industry benchmarks appropriate for Non-Public Tariff Customers to assign a score within six distinct quality levels ranging from 1.00 to 6.99.

A score of 1.00 indicates that the Tariff Customer has strong financial health with regard to the relevant measure, while a score of 6.99 indicates poor financial health with regard to the relevant measure.

Note: There are 100 basis points within each scoring range. The one (1) range represents scores from 1.00 to 1.99 while the six (6) range represents scores from 6.00 to 6.99.

Within each quality level, fractional scores are computed linearly from the defined boundaries.

For example, an Operating Margin of 13.10 % (refer to the Non-Public Power Financial Benchmarks table below) would result in a score of 3.41 because it is between the low and high end of the 3.00 to 3.99 quality level range.

Non-Public Power Financial Benchmarks

EBITDA / Interest Expense		
From	To	Rank
7.00	9.00	1.00 to 1.99
5.00	6.99	2.00 to 2.99
3.00	4.99	3.00 to 3.99
2.00	2.99	4.00 to 4.99
1.00	1.99	5.00 to 5.99
0.00	0.99	6.00 to 6.99

Debt / Net Fixed Assets		
From	To	Rank
0.29	0.01	1.00 to 1.99
0.50	0.30	2.00 to 2.99
0.70	0.51	3.00 to 3.99
0.89	0.71	4.00 to 4.99
0.99	0.90	5.00 to 5.99
2.00	1.00	6.00 to 6.99

Cash Earnings / Debt Service		
From	To	Rank
6.00	8.00.0	1.00 to 1.99
4.00	5.99	2.00 to 2.99
1.01	3.99	3.00 to 3.99
0.70	1.00	4.00 to 4.99
0.31	0.69	5.00 to 5.99
0.00	0.30	6.00 to 6.99

Debt / Tangible Net Worth		
From	To	Rank
0.50	0.01	1.00 to 1.99
0.99	0.51	2.00 to 2.99
1.99	1.00	3.00 to 3.99
3.99	2.00	4.00 to 4.99
6.99	4.00	5.00 to 5.99
12.99	7.00	6.00 to 6.99

Free Cash Flow / Total Debt		
From	To	Rank
0.33	0.50	1.00 to 1.99
0.12	0.32	2.00 to 2.99
0.08	0.11	3.00 to 3.99
0.05	0.07	4.00 to 4.99
0.03	0.04	5.00 to 5.99
0.00	0.02	6.00 to 6.99

Return on Sales (%)		
From	To	Rank
12.01	16.00	1.00 to 1.99
8.00	12.00	2.00 to 2.99
5.00	7.99	3.00 to 3.99
3.00	4.99	4.00 to 4.99
2.00	2.99	5.00 to 5.99
0.01	1.99	6.00 to 6.99

Quick Ratio		
From	To	Rank
1.00	1.25	1.00 to 1.99
0.60	0.99	2.00 to 2.99
0.53	0.59	3.00 to 3.99
0.40	0.52	4.00 to 4.99
0.28	0.39	5.00 to 5.99
0.00	0.27	6.00 to 6.99

Return on Assets (%)		
From	To	Rank
5.00	6.00	1.00 to 1.99
4.00	4.99	2.00 to 2.99
3.00	3.99	3.00 to 3.99
2.00	2.99	4.00 to 4.99
1.00	1.99	5.00 to 5.99
0.01	0.99	6.00 to 6.99

Debt / Total Capitalization		
From	To	Rank
0.42	0.01	1.00 to 1.99
0.48	0.43	2.00 to 2.99
0.53	0.49	3.00 to 3.99
0.56	0.54	4.00 to 4.99
0.61	0.57	5.00 to 5.99
0.70	0.62	6.00 to 6.99

Operating Margin (%)		
From	To	Rank
23.01	30.00	1.00 to 1.99
16.00	23.00	2.00 to 2.99
9.00	15.99	3.00 to 3.99
5.00	8.99	4.00 to 4.99
1.00	4.99	5.00 to 5.99
0.01	0.99	6.00 to 6.99

Short Term Debt / Total Debt		
From	To	Rank
0.04	0.01	1.00 to 1.99
0.09	0.05	2.00 to 2.99
0.24	0.10	3.00 to 3.99
0.49	0.25	4.00 to 4.99
0.74	0.50	5.00 to 5.99
1.00	0.75	6.00 to 6.99

Return on Equity (%)		
From	To	Rank
10.00	15.00	1.00 to 1.99
5.00	9.99	2.00 to 2.99
3.00	4.99	3.00 to 3.99
2.00	2.99	4.00 to 4.99
1.00	1.99	5.00 to 5.99
Below	0.99	6.00 to 6.99

Non-Public Power Ratios

EBITDA / Interest Expense = (Operating Income + Depreciation + Amortization) / Interest Expense.

Cash Earnings / Debt Service (Net Income (Loss) + Depreciation + Amortization + Other Non Cash P&L Items (such as: Loan Loss Provision, Other Operating Cash Flows, Investment Securities (Gain/Loss), Loans (Gains/Losses), Deferred Taxes, Accounting Changes, Discontinued Operations, Extraordinary & Unusual Items, Purchased R&D, Equity in Net Earnings of Ventures) + Financial Expense - Cash Dividends Paid) / (Short Term Debt + Current Portion of Long Term Debt & Capital Leases + Financial Expense)

Free Cash Flow (FCF) / Total Debt = (Net Cash Provided by Operations + Capital Expenditures + Cash Dividends Paid) / (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock).

Quick Ratio = (Cash + Cash Equivalents + Short Term investments + Total Receivables (Net) + Marketable Securities + Certificate of Deposits + Trading Account Assets) / Current Liabilities

Debt / Total Cap = (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock) / (Net Worth + Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock).

Short Term Debt / Total Debt = (Short Term Debt + Current Portion of Long Term Debt and Capital Leases) / (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock)

Debt / Net Fixed Assets = (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock) / (Fixed Assets + Property, Plant & Equipment)

Debt / TNW = (Short Term Debt + Current Portion of Long Term Debt and Capital Leases + Long Term Debt and Capital Leases + Subordinated Loans + Mandatory Redeemable Preferred Stock) / Tangible Net Worth

Return on Sales (%) = Net Income or Loss / Total Revenues times 100

Return on Assets (%) = Net Income or Loss / Total Assets times 100

Operating Margin (%) = Operating Income or Loss / Total Revenues times 100

Return on Equity (%) = Net Income or Loss / Net Worth times 100

Qualitative (40%)

The qualitative score will assess all non-financial measure information about a Tariff Customer's financial health. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics of each Non-Public Tariff Customer:

- (i) the ability to set rates without seeking regulatory approval;
- (ii) the financial protections afforded unsecured creditors contained in the contracts and other legal documents related to the formation and governance of non-public power entities;
- (iii) the number and composition of members or customers of the entity;
- (iv) the exposure to energy price risk for load served by the entity and/or obligations to provide power to other parties;
- (v) rating agency ratings assigned to unsecured debt; and
- (iv) other non-financial measures of creditworthiness

To illustrate, assume the following for a Non-Public Tariff Customer:

Non-Public Power Qualitative Score = 2.5

Quantitative Metrics:

Liquidity (30%)				
Metric	Value	Rank	Weight	Score
EBITDA / Interest Exp	4.70	3.14	25%	0.79
Cash Earnings / Debt Service	1.93	3.69	35%	1.29
Free Cash Flow / Total Debt	0.10	3.66	30%	1.10
Quick Ratio	0.30	5.72	10%	0.57
				3.75
Leverage (20%)				
Metric	Value	Rank	Weight	Score
Debt / Total Capitalization	0.54	4.00	35%	1.40
Short Term Debt / Total Debt	0.11	3.07	15%	0.46
Debt / Net Fixed Assets	0.47	2.84	25%	0.71
Debt / Tangible Net Worth	1.21	3.21	25%	0.80
				3.37
Performance (50%)				
Metric	Value	Rank	Weight	Score
Return on Sales %	5.74	3.75	25%	0.94
Return on Assets %	1.82	5.16	25%	1.29
Operating Margin %	13.10	3.41	25%	0.85
Return on Equity %	5.78	2.84	25%	0.71
				3.79

	Weight	Indicator Score	Group Score
Liquidity	30%	3.75	1.13
Leverage	20%	3.37	0.67
Performance	50%	3.79	1.90

Financial Score	3.70
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$$\text{Non-Public Power Composite Score} = (40\% \times 2.5) + (60\% \times 3.70) = 3.22$$

B. Unsecured Credit Allowance

The credit scoring model converts the Composite Credit Score to a suggested unsecured credit allowance through a three step process:

STEP ONE:

Convert the Tariff Customer's Composite Credit Score to a percentage value:

Table 1 below contains a matrix which converts the Composite Credit Score to a percentage value. The Tariff Customer's Tangible Net Worth (as adjusted for Revenue Bonds and the 15% Debt Adder if applicable) is then multiplied by this percentage value to determine an initial Unsecured Credit Allowance.

Table 1 for Public Power Sector and Non-Public Power Sector

Table 1		
	Percent of Tangible Net Worth	
Composite Credit Score	Non-Public Power	Public Power
1.00 to 1.66	10.0%	12.0%
1.67 to 2.00	9.0%	11.0%
2.01 to 2.33	8.0%	10.0%
2.34 to 2.66	7.0%	9.0%
2.67 to 3.00	6.0%	8.0%
3.01 to 3.33	5.0%	7.0%
3.34 to 3.66	4.0%	6.0%
3.67 to 4.00	3.0%	5.0%
4.01 to 4.33	2.0%	3.5%
4.34 to 4.66	1.0%	2.0%
4.67 to 5.00	0.5%	1.0%
5.01 to 6.00	0.0%	0.0%

STEP TWO: Compare the Tariff Customer's Composite Credit Score to the values contained in Table 2 (the Credit Cap Table) to determine the credit cap amount.

Table 2: Credit Cap Table		
Composite Score Range		Unsecured Credit Cap
0.01	2.99	\$75,000,000
3.00	3.32	\$67,500,000
3.33	3.99	\$62,500,000
4.00	4.79	\$37,500,000
4.80	5.00	\$0
5.01	6.00	\$0

STEP THREE: Determine whether the final Unsecured Credit Allowance determined in Step 1 is capped at the amount determined in Step 2. The final suggested Unsecured Credit Allowance for a Tariff Customer is the lesser of:

the amount determined by applying the percentage value from Table 1 to the Tariff Customer's adjusted Tangible Net Worth (as determined in Step 1)

OR

the amount determined by the applying the Tariff Customer's Composite Credit Score to Table 2 (the Credit Cap Table) detailed above (as determined in Step 2).

EXAMPLE FOR A PUBLIC POWER MARKET PARTICIPANT:

To illustrate, a Public Power Tariff Customer with a Composite Credit Score of 3.05 and Tangible Net Worth (as adjusted for Revenue Bonds and the 15% Debt Adder if applicable) of \$998,229,111 would have a suggested Unsecured Credit Allowance computed as follows:

$$\begin{aligned}\text{Step 1: Unsecured Credit Allowance} &= \text{Table 1 Percentage } f \text{ (Composite Credit Score)} \times \text{adjusted Tangible Net Worth} \\ &= 7.0\% \times \$998,229,111 \\ &= \$69,876,037 \text{ (subject to credit limit cap below)}\end{aligned}$$

Step 2: Since the Composite Credit Score of 3.05 falls in the 3.00 – 3.32 range, the Tariff Customer's suggested Unsecured Credit Allowance would be capped at \$67,500,000 as determined using Table 2.

Step 3: The final step is to take the lower of the amount determined by applying the percentage value from Table 1 to the Tariff Customer's adjusted Tangible Net Worth or the amount determined by Table 2 (the Credit Cap Table). The lower of the two amounts is 67,500,000 based on Table 2. Accordingly, the Unsecured Credit Allowance would be capped at \$67,500,000.

EXAMPLE FOR A NON-PUBLIC POWER MARKET PARTICIPANT:

To further illustrate, a Non-Public Tariff Customer with a Composite Credit Score of 2.58 and an adjusted Tangible Net Worth of \$4.354 billion would have a suggested Unsecured Credit Allowance computed as follows:

Step 1: Unsecured Credit Allowance = Table 1 Percentage f (Credit Score) x Tangible Net Worth

$$= 7\% \times \$4,354,000,000$$

$$= \$304,780,000$$

Step 2: The maximum Unsecured Credit Allowance based on Table 2 is \$75,000,000 (2.58 falls in the 0.01 to 2.99 range).

Step 3: Take the lower of amounts in Step 1 and Step 2. The Unsecured Credit Allowance in this example is capped at \$75,000,000.

In the event that the Tariff Customer provides a Corporate Guaranty, the Unsecured Credit Allowance is based on the financial review conducted by the Transmission Provider of the entity providing the Corporate Guaranty, with a \$75 million maximum Unsecured Credit Allowance permitted (*see* Section V entitled “Corporate Guaranty” for more information).

1) Minimum Unsecured Credit Allowance

For Public Power entities, the Unsecured Credit Floor for creditworthy entities is \$250,000. For any Public Power entity for whom the product of the applicable percentage from Table 1 multiplied by the Tangible Net Worth for the Public Power entity yields an Unsecured Credit Allowance of less than \$250,000 the Unsecured Credit Floor value shall be substituted as the authorized Unsecured Credit Allowance.

2) Revenue Bond Adjustment to Tangible Net Worth Value for Power Supply Agents

For Public Power entities that issue Revenue Bonds solely in support of their role as power supply agent for not-for-profit electric distribution utilities and meet: (a) the disclosure requirements in: (i) Section I.A.6 of this Credit Policy and (ii) Section I.B.6 of this Credit Policy; and (b) have a Revenue Bond rating or Revenue Bond ratings equal to or better than Baa1 issued by Moody's Investor Services or BBB+ issued by Standard & Poor's, the calculation of the suggested Unsecured Credit Allowance shall be based on an adjusted value for Tangible Net Worth. The adjusted value for Tangible Net Worth shall include the outstanding balance of Revenue Bonds as of the date of the calculation.

To illustrate, if the Public Power entity met all of the disclosure requirements for power supply agents, had Tangible Net Worth of \$1,000,000, and had \$10,000,000 principal amount of Revenue Bonds outstanding, the adjusted Tangible Net Worth to be used in computing the suggested Unsecured Credit Allowance would be \$11,000,000 (the sum of the adjusted Tangible Net Worth and the principal amount of Revenue Bonds outstanding as of the date of the calculation).

3) Long Term Debt Adjustment to the Tangible Net Worth Value for Electric Generation and Transmission Cooperatives

For Coops- that have a Composite Credit Score between 1.0 and 3.99 as determined by the Transmission Provider's credit scoring model and meet the disclosure requirements in Sections I.A. 6 and I.B.6 of this Credit Policy, the calculation of the Unsecured Credit Allowance shall reflect as equity 15% of the Coop's long term debt as stated on its current audited financial statements.

To illustrate, if the Coop met all of the disclosure requirements, had Tangible Net Worth of \$8,000,000, and had \$100,000,000 principal amount of stated long term debt on its most current audited financial statement, the adjusted Tangible Net Worth to be used in computing the suggested Unsecured Credit Allowance would be \$23,000,000 [the sum of the Tangible Net Worth (\$8,000,000) plus 15% of long term debt outstanding (\$15,000,000)]

4) Revisions to Unsecured Credit Allowance

The Transmission Provider has the right at any time to modify any Unsecured Credit Allowance and/or require additional Financial Security as may be reasonably necessary to support the Tariff Customer's ability to pay for market services provided under this Tariff and other Agreements. If the modification results in a reduction or revocation of Unsecured Credit Allowance and the reduction or revocation results in the need to provide Financial Security, the Transmission Provider will promptly notify the Tariff Customer in writing of the requirement to provide Financial Security as a result of the reduction or revocation of the previously granted amount of Unsecured Credit Allowance. The Tariff Customer shall have two (2) Business Days from receipt of written notification (three (3) Business Days if notification occurs after noon Eastern **Prevailing** Time) to provide the Financial Security required to replace the reduced or revoked amount of Unsecured Credit in an amount and form acceptable to the Transmission Provider.

C. Credit Limit Setting for Affiliates

In the case of affiliated Applicants or affiliated Tariff Customers the \$75 million maximum Unsecured Credit Allowance shall apply to the combined activity of the affiliated Applicants or affiliated Tariff Customers. *See* Section II.B of this Credit Policy. Thus, the sum of the individual Unsecured Credit Allowances for affiliated Applicants or affiliated Tariff Customers shall not exceed \$75 million under any circumstances.

D. Total Credit Limit and Allocation Requirement

The Total Credit Limit for a Tariff Customer is the sum of its Unsecured Credit Allowance and the Financial Security provided, if any. A portion of the Tariff Customer's Total Credit Limit must be allocated to the FTR Auctions and/or the RAR Auctions if the Tariff Customer wishes to engage in these types of activities.

The amount of credit to be allocated to support participation in the FTR Auction activity is addressed in Section III.B of this Credit Policy and the amount of credit to be allocated to support participation in the RAR Auction activity is addressed in Section III.D of this Credit Policy. The remainder of the Total Credit Limit (net of the amount allocated to FTR Auctions and/or RAR Auctions) is available for all other services.

E. Monitoring of Activity Relative to Total Credit Limit

The Transmission Provider will monitor each Tariff Customer's use of services and associated financial obligations on a regular basis. A Tariff Customer's cumulative financial obligation for credit monitoring purposes is its Total Potential Exposure. Should a Tariff Customer's Total Potential Exposure equal or exceed ninety percent (90%) of its Total Credit Limit the Transmission Provider shall promptly notify the Tariff Customer in writing of this fact. The Tariff Customer shall maintain its Total Potential Exposure to a value equal to or less than its Total Credit Limit at all times.

F. Requirement to Provide Financial Security

Should a Tariff Customer's Total Potential Exposure exceed its Total Credit Limit, the Transmission Provider shall promptly notify the Tariff Customer in writing of the need to (i) pay invoiced amounts to reduce the Tariff Customer's Total Potential Exposure and/or (ii) provide Financial Security in an amount sufficient to increase the Tariff Customer's Total Credit Limit such that after making such payments and/or providing such Financial Security, the Tariff Customer's Total Potential Exposure will not equal or exceed its Total Credit Limit. The Tariff Customer shall have two (2) Business Day from receipt of written notification to reduce its Total Potential Exposure below its Total Credit Limit.

G. Security Interest in Accounts Receivable

Each Tariff Customer will have an option of granting a continuing first-priority security interest to the Transmission Provider in all right, title and interest in any and all accounts receivable and other rights of payment of the Tariff Customer for goods and services provided under, or otherwise arising under, pursuant to or in connection with, the Tariff and/or any of the Agreements (the "Receivable Security Interest"). Total Potential Exposure will be calculated differently for those Tariff Customers who grant a Receivable Security Interest (herein referred to as a "Category A" Tariff Customer) as opposed to those who do not grant a Receivable Security Interest (herein referred to as a "Category B" Tariff Customer). See Section IV of this Credit Policy for information on Total Potential Exposure calculation to be used for each category of Tariff Customer. In the event the Tariff Customer grants the Transmission Provider a Receivable Security Interest, the Tariff Customer shall execute and deliver the Security Agreement in the form attached to this Credit Policy as Exhibit **IV**. A "Category A Customer" also includes a municipality or joint action agency that has qualified for an exemption of the requirement to grant a Receivable Security Interest under this Attachment L.

III. ALLOCATION OF CREDIT LIMIT TO VIRTUAL TRANSACTION ACTIVITY, FTR AUCTION ACTIVITY, AND RAR AUCTION ACTIVITY

Tariff Customer in Virtual Transactions requires designation of the Virtual MWh Limit as defined in this Tariff.

A portion of the Tariff Customer's Total Credit Limit must be allocated to support FTR Auction activity as specified in Section III.B of this Credit Policy.

A portion of the Tariff Customer's Total Credit Limit must be allocated to support RAR Auction activity as specified in Section III.D of this Credit Policy.

A. Virtual Transactions MWh Limit

To be eligible to submit Virtual Bids or Virtual Supply Offers, a Tariff Customer must designate its Virtual MWh Limit as defined in this Tariff.

1) Establishing a Virtual MWh Limit

A Market Participant shall submit its proposed Virtual MWh Limit via the Market Portal to the Transmission Provider by 4 PM Eastern Prevailing Time. It is the sole responsibility of the Market Participant to maintain a listing of the Market Participant's personnel authorized to conduct such Market Portal transactions specific to Attachment L of this Tariff.

The Transmission Provider will evaluate the Market Participant's submission, including the impact of the requested Virtual MWh Limit on the amount of the remaining Total Credit Limit relative to the Market Participant's Total Potential Exposure. If the requested Virtual MWh Limit will cause the Total Potential Exposure to equal or exceed the Total Credit Limit, the Virtual MWh Limit will be rejected. A Market Participant's Virtual MWh Limit must be approved by the Transmission Provider before a Market Participant can participate in any Virtual Transaction. The Transmission Provider shall process submissions of proposed Virtual MWh Limit one (1) Business Day following the day on which the Transmission Provider receives such submission via the Market Portal, provided the submission is received by 4 PM Eastern **Prevailing** Time. An approved Virtual MWh Limit takes effect two (2) Calendar Days following the day it is approved by the Transmission Provider.

2) Modifying the Virtual MWh Limit

Modifications to a Market Participant's Virtual MWh Limit may be requested via the Market Portal. The Transmission Provider shall process Virtual MWh Limit submission via the Market Portal one (1) Business Day following the day on which such submission was received by the Transmission Provider, provided the submission is received by 4 PM Eastern **Prevailing** Time. The Transmission Provider must approve any proposed modification to a Market Participant's Virtual MWh Limit before the modification becomes effective. A decrease of a Market Participant's Virtual MWh Limit will decrease its Virtual Transactions Credit Requirement **at most** nine (9) calendar Days after the new Virtual MWh Limit is approved.

In evaluating a request to increase a Market Participant's Virtual MWh Limit, the Transmission Provider will evaluate the impact of the requested change on the amount of the remaining Total Credit Limit relative to the Market Participant's Total Potential Exposure. If the requested change causes the Market Participant's Total Potential Exposure to exceed its Total Credit Limit, then the request will be denied.

3) Periodic Reassessment of the MPD in Calculating the Virtual Transactions Credit Requirement

Each Market Participant's Virtual Transactions Credit Requirement will be recalculated in accordance with the periodic re-assessment of the value for variable MPD by the Transmission Provider (*see* Section III.A.1.). The Transmission Provider may require Market Participants to: (a) reduce their Virtual MWh Limit or (b) provide additional Financial Security within two (2) Business Days from receipt of written notification (three (3) Business Days if notification occurs after noon EPT), if there is an increase in the MPD.

4) Enforcing the Virtual MWh Limit

The sum of the absolute value of Virtual Bid MWs and the absolute value of Virtual Offer MWs submitted by a Market Participant for a given Operating Day may not exceed its Virtual MWh Limit. If both a Virtual Bid and a Virtual Offer are submitted for a given Node, then the absolute value of the greater of the Virtual Offer MWs or the Virtual Bid MWs at that Node will be counted when evaluating the sum of the absolute value of all Virtual Bid MWs and Virtual Offer MWs relative to the Virtual MWh Limit. The Transmission Provider shall have the right to reject Virtual Bids and/or Virtual Offers that cause the sum of Virtual Bids and/or Virtual Offers submitted for a given Operating Day to exceed the Market Participant's Virtual MWh Limit.

B. Allocation of Credit Limit to FTR Auction Activity

To be eligible to submit FTR Offers, or FTR Bids, in an FTR Auction, the FTR Auction Participant must satisfy the requirements set forth in this policy.

1) Credit Limit Allocation Requirement for Participation in FTR Auctions

FTR Auction Participants must allocate a portion of their Total Credit Limit in order to participate in FTR Auctions. A Participant's FTR Auction Credit Exposure must not equal or exceed the FTR Auction Participant's FTR Auction Credit Allocation. The FTR Auction Participant's Total Potential Exposure must not equal or exceed the FTR Auction Participant's Total Credit Limit (less its FTR Auction Credit Allocation and RAR Auction Credit Allocation).

2) Establishing an FTR Auction Credit Allocation

FTR Auction Participants shall establish their FTR Auction Credit Allocation by submitting such information via the Market Portal. The Transmission Provider shall process the FTR Auction Market Portal submission one (1) Business Day following the day on which the submission is received, provided it is received by 4 PM Eastern **Prevailing** Time. The Transmission Provider must approve FTR Auction Participant's FTR Auction Credit Allocation before the FTR Auction Participant may participate in the relevant FTR Auction. The new FTR Auction Credit Allocation takes effect within two (2) Calendar Days following the day it is approved by the Transmission Provider.

Financial Security required in connection with an FTR Auction Participant's FTR Auction Credit Allocation must be received by the Transmission Provider no later than five (5) Business Days prior to the start of the Bid window for the relevant FTR Auction. Therefore, the Transmission Provider recommends that FTR Auction Participants submit their requests to establish FTR Auction Credit Allocations at least fifteen (15) Business Days prior to the start of the Bid window for the relevant FTR Auction. The Transmission Provider may delay commencing its review of any request to establish an FTR Auction Credit Allocation that is submitted after 4 PM Eastern **Prevailing** Time on the fifth (5th) Business Day prior to the start of an FTR Auction Bid window until after such Bid window closes.

3) Modifying the FTR Auction Credit Allocation

Modifications to an FTR Auction Participant's FTR Auction Credit Allocation may be requested by submitting such modifications via the Market Portal. The Transmission Provider shall process the FTR Auction Credit Allocation modification submission one (1) Business Day following the day on which the submission is received, provided the submission is received by 4 PM Eastern **Prevailing** Time. The Transmission Provider must approve any proposed modification to an FTR Auction Participant's FTR Auction Credit Allocation before the modification becomes effective. The new approved FTR Auction Credit Allocation takes effect within two (2) Calendar Days following the Day it is approved by the Transmission Provider.

4) Enforcing the FTR Auction Credit Requirement

The Transmission Provider shall have the right to reject FTR Bids and/or FTR Offers that cause the FTR Auction Credit Exposure (as determined by the formula in III.4.A below) to exceed the FTR Auction Participant's FTR Auction Credit Allocation. For purpose of evaluating FTR Bids during the auction process the Transmission Provider shall use the greater of the FTR Minimum Bid Requirement or the actual amount of a Tariff Customer's FTR Bid to determine if the Tariff Customer is in compliance with the requirement for the Tariff Customer's FTR Auction Credit Exposure to at all times be less than the Tariff Customer's FTR Auction Credit Allocation.

The FTR Auction Credit Exposure is calculated using the formula below:

A. FTR Auction Credit Exposure

FTR Auction Credit Exposure is calculated per the formula below:

$$\sum_{p \in P} \text{Max}(\text{MPB}_p, \text{MMB}_p * \text{MDM}_p) + \sum_{k \in K} \text{MMB}_k * \text{MDM}_k + \sum_{g \in G} |\text{MNO}|_g$$

Where:

MPB = The maximum of all price points specified for a given positive FTR Bid, calculated as the MW value specified for the price-point, times the dollar value per megawatt specified for the price-point

MMB = The maximum MW point specified for a given FTR Bid

MDM = The Minimum Bid Price (dollar per MW) for positive FTR Bids as specified in Section III.C.1 of Attachment L or the Minimum Bid Price (dollar per MW) for zero or negative FTR Bids as specified in Section III.C.2 of Attachment L

MNO = The minimum of all price points specified for a given negative FTR Offer, calculated as the MW value specified for the price-point, times the dollar value per megawatt specified for the price-point

P = Set of all positive Bids to be submitted by a given Market Participant during an open FTR Bid window.

K = Set of all zero and negative Bids to be submitted by a given Market Participant during an open FTR Bid window

G = Set of all negative **FTR** Offers to be submitted by a given Market Participant during an open FTR Bid window.

5) Submission of Financial Security for FTR Auction Credit Requirement

Financial Security required to meet the Total Credit Limit, as impacted by the FTR Auction Credit Allocation, must meet the requirements set forth for Financial Security defined in this Tariff. Such Financial Security must be in place at least five (5) Business Days prior to the start of a given FTR Auction bid window.

Any Financial Security provided as required in this Section III.B will be included as part of the FTR Auction Participant's Total Credit Limit. Financial Security that is provided in connection with an FTR Auction Credit Allocation does not solely secure the FTR Auction Participant's FTR Auction payment obligations, but instead secures all payment obligations of the FTR Auction Participant under this Tariff and/or the other Agreements. Regardless of the FTR Auction Credit Allocation, any Financial Security that is provided by or on behalf of an FTR Auction Participant may be pursued in the event of a default to satisfy any amount owed by the FTR Auction Participant under this Tariff and/or the other Agreements.

FTR Auction Participants may request that their FTR Auction Credit Allocation be reduced one (1) Business Day after the close of the bid window for a given FTR Auction. The amount of the reduction may not exceed the difference between the FTR Auction Credit Allocation minus the FTR Auction Credit Exposure as determined by Section IV.A.4 of this Tariff.

FTR Auction Participants may request that their FTR Auction Credit Allocation be reduced two (2) Business Days after a given FTR Auction clears.

All requests to reduce an FTR Auction Credit Allocation are subject to approval by the Transmission Provider.

6) Impact of a Violating Allocation to FTR Auctions

An FTR Auction Participant may have its access to submit FTR Bids and/or FTR Offers suspended by Transmission Provider if the FTR Auction Participant violates its FTR Auction Credit Allocation as defined in Module A of this Tariff.

B. Minimum Bid Price for FTR Auction Activity

1) Minimum Bid Price for FTR Bids on Positive FTRs

The Minimum Bid Price for bids to acquire positive FTRs shall be a function of the duration of the FTR Auction as follows:

- Seasonal component of annual auction = \$100 per MW
- Monthly auction = \$100 per MW x (# days in month / # days in season)

The Transmission Provider shall use the greater of the Minimum Bid Requirement for positive FTRs or the value for the variable MPB defined in Section IV.A.4 of Attachment L for determining the FTR Auction Credit Exposure for such bids.

2) Minimum Bid Price for FTR Bids of Zero or Negative Value

The Minimum Bid Price for FTR Bids that are zero or negative in value shall be a function of the duration of the FTR Auction as follows:

- Summer Season of annual auction = \$375 per MW
- Winter Season of annual auction = \$300 per MW
- Fall and Spring Season of annual auction = \$200 per MW
- Monthly Auction = seasonal value x (# days in month / # days in season)

The Transmission Provider shall use the absolute value of the Minimum Bid Requirement for FTR Bids that are zero or negative in value in determining the FTR Auction Credit Exposure for such bids.

C. Allocation of Credit Limit to RAR Auction

1) Credit Limit Allocation Requirement for Participation in RAR Auctions

RAR Auction Participants must allocate a portion of their Total Credit Limit in order to participate in RAR Auctions. A Participant's RAR Auction Credit Exposure must not equal or exceed the RAR Auction Participant's RAR Auction Credit Allocation. The RAR Auction Participant's Total Potential Exposure must not equal or exceed the RAR Auction Participant's Total Credit Limit (less its FTR Auction Credit Allocation and RAR Auction Credit Allocation).

2) Establishing a Module E Voluntary Auction Credit Allocation

RAR Auction Participants shall establish their RAR Auction Credit Allocation by submitting such information via the Market Portal. The Transmission Provider shall process the RAR Auction Credit Allocation Market Portal submission one (1) Business Day following the day on which the submission is received, provided it is received by 4 PM Eastern **Prevailing** Time. The Transmission Provider must approve RAR Auction Participant's RAR Auction Credit Allocation before the RAR Auction Participant may participate in the relevant RAR Auction. The new RAR Auction Credit Allocation takes effect within two (2) Calendar Days following the day it is approved by the Transmission Provider.

Financial Security required in connection with an RAR Auction Participant's RAR Auction Credit Allocation must be received by the Transmission Provider no later than five (5) Business Days prior to the start of the Bid window for the relevant RAR Auction. Therefore, the Transmission Provider recommends that RAR Auction Participants submit their requests to establish RAR Auction Credit Allocations at least fifteen (15) Business Days prior to the start of the bid window for the relevant RAR Auction. The Transmission Provider may delay commencing its review of any request to establish an RAR Auction Credit Allocation that is submitted after 4 PM Eastern **Prevailing** Time on the fifth (5th) Business Day prior to the start of an RAR Auction bid window until after such bid window closes.

33) Modifying the Module E Voluntary Auction Credit Allocation

Modifications to an RAR Auction Participant's RAR Auction Credit Allocation may be requested by submitting such modifications via the Market Portal. The Transmission Provider shall process the RAR Auction Credit Allocation modification submission one (1) Business Day following the day on which the submission is received, provided the submission is received by 4 PM Eastern **Prevailing** Time. The Transmission Provider must approve any proposed modification to an RAR Auction Participant's RAR Auction Credit Allocation before the modification becomes effective. The new approved RAR Auction Credit Allocation takes effect within two (2) Calendar Days following the Day it is approved by the Transmission Provider.

4) Enforcing the RAR Auction Credit Requirement

The Transmission Provider shall have the right to reject RAR Bids that cause the RAR Auction Credit Exposure (as determined by the formula in this Section III.4 below) to exceed the RAR Auction Participant's RAR Auction Credit Allocation.

RAR Auction Credit Exposure is calculated per the formula below:

$$\sum_{p \in P} MPB_p$$

Where:

MPB = The maximum of all price points specified for a given positive RAR Bid, calculated as the MW value specified for the price-point, times the dollar value per megawatt specified for the price-point

P = Set of all positive RAR Bids to be submitted by a given Market Participant during an open RAR Auction bid window.

5) Submission of Financial Security for RAR Auction Credit Requirement

Financial Security required to meet the Total Credit Limit, as impacted by the RAR Auction Credit Allocation, must meet the requirements set forth for Financial Security defined in this Tariff. Such Financial Security must be in place at least five (5) Business Days prior to the start of a given RAR Auction bid window.

Any Financial Security provided as required in this Section III.C will be included as part of the RAR Auction Participant's Total Credit Limit. Financial Security that is provided in connection with an RAR Auction Credit Allocation does not solely secure the RAR Auction Participant's RAR Auction payment obligations, but instead secures all payment obligations of the RAR Auction Participant under this Tariff and/or the other Agreements. Regardless of the RAR Auction Credit Allocation, any Financial Security that is provided by or on behalf of an RAR Auction Participant may be pursued in the event of a default to satisfy any amount owed by the RAR Auction Participant under this Tariff and/or the other Agreements.

RAR Auction Participants may request that their RAR Auction Credit Allocation be reduced two (2) Business Days after a given RAR Auction clears.

All requests to reduce an RAR Auction Credit Allocation are subject to approval by the Transmission Provider.

6) Impact of Violating RAR Auction Credit Allocations

An RAR Auction Participant may have its access to submit RAR Bids suspended by Transmission Provider if the RAR Auction Participant violates its RAR Auction Credit Allocation as defined in Module A of this Tariff.

IV. Potential Exposure to Non-Payment and Total Potential Exposure

Potential exposure to non-payment is calculated separately for each category of Markets and Services. The information in Section IV of this Credit Policy addresses the calculation and use of the value for Total Potential Exposure by Market Participant, Reliability Coordination Customer, or Congestion Management Customer.

A. Total Potential Exposure

For credit purposes, the following service categories, as calculated per the formulas in Section IV of this Credit Policy, shall be used to calculate Total Potential Exposure:

1. Real-Time Energy and Operating Reserve Markets Potential Exposure
 - Including all charge types associated with Congestion Management Service under Part II of Module F
2. Day-Ahead Energy and Operating Reserve Markets Potential Exposure
 - Including all charge types associated with Congestion Management Service under Part II of Module F
3. Virtual Transactions Potential Exposure
4. FTR Auction Settled Transactions Exposure
5. Auction Revenue Rights Settled Exposure
6. FTR and ARR Transactions Cleared But Not Yet Settled Exposure
7. FTR Portfolio Potential Exposure
8. Congestion and Losses Potential Exposure
9. Transmission Service Potential Exposure
 - Including Schedule 31 charges associated with Reliability Coordination Service under Part I of Module F
 - Including all charges associated with providing HVDC Service
10. Module E Potential Exposure
 - Including RAR Auction transactions and Financial Settlement Charges under Module E

In general, the calculation of potential exposure to non-payment within each service category is based on one or more of the following exposure components:

1. Invoiced but not paid;

1. Measured but not invoiced, where measured means the settlement systems of the Midwest ISO have computed the charges and credits for all transactions for a given Operating Day; and
2. Estimated for future operating days based on known and/or potential activity.

With respect to a Category A Tariff Customer, Total Potential Exposure shall be the sum of all charges and credits for all service categories as calculated per the formulas in Section IV of this Credit Policy.

With respect to a Category B Tariff Customer, if the Total Potential Exposure within a service category is a net credit amount as calculated per the formulas in Section IV of this Credit Policy, the net credit amount for that service category will be excluded from the computation of the Total Potential Exposure. A net credit amount is the amount of funds owed to the Tariff Customer, if any, after netting all charges and all credits within a given service category. For the purpose of this Category B calculation, the service categories are reclassified into the following service category groups:

1. Energy Transactions – The sum of charges and credit associated with Real-Time Energy and Operating Reserve Markets Potential Exposure, **Day-Ahead Energy and Operating Reserve Markets Potential Exposure** and Congestion and Losses Potential Exposure
2. Virtual Transactions Potential Exposure
3. FTR Transactions – The sum of charges and credits associated with FTR Auction Settled Transactions Exposure, Auction Revenue Rights Settled Exposure, FTR and ARR Transactions Cleared But Not Yet Settled Exposure, and FTR Portfolio Potential Exposure
4. Transmission Service Potential Exposure
5. Module E Potential Exposure

The service category “FTR and ARR Transactions Cleared But Not Yet Settled” (item 6 above) only has an estimated exposure component. The estimated exposure is the sum of the net positive monthly values of all cleared but not yet settled FTRs and ARRs. A net negative monthly value of all cleared but not yet settled FTRs and ARRs is not included in the Total Potential Exposure calculation. The FTRs included in this calculation reflect the values from an FTR Auction(s) which have been cleared but not yet settled. The ARR values included in this calculation reflect the clearing prices established as a result of the annual FTR Auction.

In the event a Market Participant’s Total Potential Exposure exceeds its Total Credit Limit on three (3) consecutive **Business Days**, then for the next ten (10) days the Market Participant’s Total Potential Exposure shall be equal to the sum of: (i) the amount calculated per the formulas in this Section IV; plus (ii) a factor of up to ten (10) times the average amount of the excess exposure over the three (3) consecutive **Business Days**, if the Transmission Provider determines, after consultation with the Market Participant, that such additional collateral is necessary to reflect the potential exposure associated with the Market Participant's expected market activity.

On the same day the third consecutive margin call is made, the Transmission Provider will initiate the consultation process by notifying the Market Participant of the additional collateral requirement based on the maximum amount permitted under the formula above and by requesting the Market Participant to supply any information that would permit the Transmission Provider to set the additional collateral requirement at a level lower than the maximum. Such information shall include, but is not limited to: (i) the Market Participant's estimated exposure, (ii) explanations for any recent change in the Market Participant's market activity, (iii) any relevant new load or unit outage information; or (iv) any default or supply contract expiration, termination or suspension. The Market Participant shall have one (1) Business Day to respond to the Transmission Provider's request. If the requested information is provided in full to the Transmission Provider's satisfaction during said period, the additional collateral requirement shall reflect the Market Participant's anticipated exposure based on the information provided. If the Market Participant fails to provide the requested information in full during said period, the additional collateral requirement shall equal the maximum amount permitted under the formula set forth above. In both cases, the additional collateral shall be provided by the Market Participant by close of the second Business Day following the day on which the third consecutive margin call was made, upon confirmation from the Transmission Provider.

To illustrate, assume a Market Participant's Total Potential Exposure exceeds its Total Credit Limit on day one by \$100,000. The Transmission Provider would issue a margin call for financial assurances pursuant to Section II subpart F of this Attachment L. Next, assume that on day two a Market Participant's Total Potential Exposure exceeds its Total Credit Limit by \$200,000, the Transmission Provider issues another margin call, and the excess is in addition to any financial assurances the Market Participant provided for the exposure on day one. Finally, assume on day three the Market Participant's Total Potential Exposure exceeds its Total Credit Limit by an additional \$200,000. Again the Transmission Provider would issue a margin call.

The average amount of the excess exposure over these three days is \$166,667. Therefore, for ten (10) days after the third consecutive margin call, the Market Participant's Total Potential Exposure value would be that calculated per the existing formulae plus the addition of up to \$1,666,670. On the eleventh day (the fourteenth day after the first margin call), assuming the Market Participant's Total Potential Exposure did not continue to exceed its Total Credit Limit, the Total Potential Exposure value would be calculated per the existing formulae without the adder for the most recent three days multiplied by a factor of up to ten (10) times the average amount of the excess exposure.

If the Market Participant's Total Potential Exposure exceeds its Total Credit Limit for more than three (3) consecutive **Business Days**, then the three (3) day average will be calculated on a rolling basis and the highest calculation for the days following will apply. Using the example above, assume the Market Participant's Total Potential Exposure exceeded its Total Credit Limit on days four, five and six by \$200,000, \$100,000 and \$50,000, respectively. Beginning on day five and continuing through the fourteenth day after the first margin call, up to \$200,000 would be added to the existing formulae (days two, three and four are each \$200,000 for an average of \$200,000, ten times of which is \$2,000,000). For the sixteenth day after the first margin call, the number would be reduced to \$1,166,666 (ten times the average of days four, five and six). Finally, assuming the Market Participant's Total Potential Exposure did not continue to exceed its Total Credit Limit after day six, the Total Potential Exposure value would be calculated per the existing formulae without the adder beginning on the seventeenth day after the first margin call.

1) Real-Time Energy and Operating Reserve Markets Potential Exposure

Potential exposure to non-payment associated with Real-Time Energy and Operating Reserve Markets transactions is calculated per the formula below:

$$\sum_{c \in C} PEIE_c + \sum_{d \in D} PEME_d + PEEE$$

Where:

PEIE = the values of the Real-Time Energy and Operating Reserve Charges/Credits that have been invoiced, but not yet paid.

C = the set of all Real-Time Energy and Operating Reserve Charge Types that have been invoiced but not yet paid.

PEME= the values of the Real-Time Energy and Operating Reserve Charges/Credits that have been settled and/or calculated, but not yet invoiced.

D = the set of all Real-Time Energy and Operating Reserve Charge Types that have been settled and/or calculated, but not yet invoiced

PEEE (Real-Time Energy and Operating Reserve Estimated Exposure)

PEEE will be the greater of:

(1) The seven day rolling average of daily Real-Time Energy and Operating Reserve Charges/Credits from previously approved initial Settlements times six (6).

OR

(2) The three hundred sixty five (365) day rolling average of daily Real-Time Energy and Operating Reserve Charges/Credits from previously approved S7 Settlements times six (6).

2) Day-Ahead Energy and Operating Reserve Markets Potential Exposure

Potential exposure to non-payment associated with Day-Ahead Energy and Operating Reserve Market transactions is calculated per the formula below:

$$\sum_{g \in G} DAIE_g + \sum_{h \in H} DAME_h + DAEE$$

Where:

DAIE= The value of the Day-Ahead Energy and Operating Reserve Charges/Credits that have been invoiced but not yet paid.

G = The set of all Day-Ahead Energy and Operating Reserve Charge Types that have been invoiced but not yet paid.

DAME = The values of the Day-Ahead Energy and Operating Reserve Charges/Credits that have been settled and/or calculated, but not yet invoiced.

H = The set of all Day-Ahead Energy and Operating Reserve Charge Types that have been settled and/or calculated, but not yet invoiced.

DAEE (Day-Ahead Energy and Operating Reserve Estimated Exposure)

DAEE will be the greater of:

- (1) The seven day rolling average of daily Day Ahead Energy and Operating Reserve Charges/Credits from previously approved initial Settlements times six (6).

OR

- (2) The three hundred sixty five (365) day rolling average of daily Day Ahead Energy and Operating Reserve Charges/Credits from previously approved S7 Settlements times six (6).

3) Virtual Transaction Potential Exposure

Potential exposure to non-payment associated with Virtual Transactions is calculated per the formula below:

$$\sum_{g \in G} VIE_g + \sum_{h \in H} VME_h + (DMWhL \times MPD \times VMEW)$$

Where:

VIE (Virtual Invoiced Exposure) = the value of a given Virtual Energy Charge/Credit that has been invoiced, but not yet paid.

G = the set of all Virtual Energy Charge Types that have been invoiced but not yet paid.

VME (Virtual Energy Measured Exposure) = the value of a given Virtual Energy Charge/Credit that has been settled and/or calculated, but not yet invoiced.

H = the set of all Virtual Energy Charge Types that have been settled and/or calculated, but not yet invoiced.

DMWhL = the Market Participant's daily Virtual MWh Limit

MPD = the highest differential between the Day-Ahead and Real-Time Locational Marginal Prices at the 50th percentile over the previous twelve (12) months, assessed during the month of April and implemented May 1 of that Year and annually thereafter

The MPD that will be applied for April 2006 through April 2007 using the prior twelve (12) months data is \$13.33 per MWh.

VMEW = the number of days in the Virtual Transactions Estimated Exposure Window (2 Days).

4) FTR Auction Settled Transactions Exposure

Potential exposure to non-payment associated with settled FTR Auction transactions is calculated per the formula below:

$$\sum_{h \in H} \text{FTRTIE}_h + \sum_{i \in I} \text{FTRTME}_i$$

Where:

FTRTIE (FTR Transaction Invoiced Exposure) = the value of a given FTR Charge/Credit that has been invoiced, but not yet paid.

H = the set of all FTR Charge Types that have been invoiced but not yet paid.

FTRTME (FTR Transaction Measured Exposure) = the value of the given FTR Charge/Credit that has been settled and/or calculated, but not yet invoiced.

I = the set of all FTR Charge Types that have been settled and/or calculated, but not yet invoiced.

5) Auction Revenue Rights Settled Exposure

Potential exposure to non-payment associated with settled ARRs is calculated per the formula below:

$$\sum_{c \in C} \text{ARRIE}_c + \sum_{d \in D} \text{ARRME}_d$$

Where:

ARRIE (Auction Revenue Rights Invoiced Exposure) = the value of a given Auction Revenue Rights Charge/Credit that has been invoiced, but not yet paid.

C = the set of all Auction Revenue Rights Charge Types that have been invoiced, but not yet paid.

ARRME (Auction Revenue Rights Measured Exposure) = the value of a given Auction Revenue Rights Charge/Credit that has been settled and/or calculated, but not yet invoiced

D = the set of all Auction Revenue Rights Charge Types that have been settled and/or calculated, but not yet invoiced.

6) FTR and ARR Transactions Cleared But Not Yet Settled Exposure

The potential exposure to non-payment associated with the FTR and ARR Transactions Cleared But Not Yet Settled is calculated per the formula below:

$$\sum_{a \in A} APEM_a = \sum_{r \in R} FTRTEE_r + \sum_{e \in E} ARREE_e$$

Where:

APEM (Auction Payable Exposure Month(s)) = any current or forward month where the sum of the FTRTEE and ARREE is calculated as a net payable exposure by a given Market Participant to the Transmission Provider.

A = the set of all current or forward months where the sum of the FTRTEE and ARREE is calculated as a net payable exposure by a given Market Participant to the Transmission Provider

FTRTEE (FTR Transaction Estimated Exposure) = the value of a given FTR Charge/Credit that has been cleared, but not yet settled.

R = the set of all FTR Charge Types by month that have been cleared, but not yet settled.

ARREE (Auction Revenue Rights Estimated Exposure) = the value of a given Auction Revenue Rights Charge/Credit that has been cleared, but not yet settled

E = the set of all Auction Revenue Rights Charge Types by month that have been cleared, but not yet settled

7) FTR Portfolio Potential Exposure

Potential exposure to non-payment associated with FTRs registered in the name of the Market Participant is calculated per the formula below:

$$\sum_{a \in A} \text{FTRPIE}_a + \sum_{b \in B} \text{FTRPME}_b + \sum \text{FTRPEE}$$

Where:

FTRPIE (FTR Portfolio Invoiced Exposure) = the value of a given FTR Portfolio charge/credit that has been invoiced, but not yet paid.

A = the set of all FTR Portfolio Charge Types that have been invoiced, but not yet paid.

FTRPME = (FTR Portfolio Measured Exposure) = the value of a given FTR Portfolio Charge/Credit that has been settled and/or calculated, but not yet invoiced.

B = the set of all **FTR Portfolio** Charge Types that have been settled and/or calculated, but not yet invoiced.

FTRPEE = (FTR Portfolio Estimated Exposure) = any current or forward month where the value of the FTR Portfolio is calculated as a net payable exposure by a given Market Participant to the Transmission Provider per the following formula:

FTRPEE=

$$\sum_{m \in M} (\text{FTRMWh} \times (> (\text{SRMCC}_{P(50)} - \text{SKMCC}_{P(50)}), (\text{SRMCC}_{P(75)} - \text{SKMCC}_{P(75)})) \times \text{PR} \times \text{HUM})_m$$

FTRMWh = the MWh value of the given FTR.

SRMCC_{P(50)} = the \$/MW/h Marginal Congestion Cost of the given FTR's Source Commercial Pricing Node at the 50th Percentile. The 50th Percentile Value (the P50 Value) for each Commercial Price Node be developed annually using the actual values from April 1 of the prior year through March 31 of the current year. These P50 values will be the value used as the Annual Proxy Value. A new Annual Proxy Value would be calculated in April of each year using the actual values for the previous twelve (12) months and will become effective May 1 of the current year.

SRMCC_{P(75)} = the \$/MW/h Marginal Congestion Cost of the given FTR's Source Commercial Pricing Node at the 75th Percentile. The 75th Percentile Value (the P75 Value) for each Commercial Price Node be developed annually using the actual values from April 1 of the prior year through March 31 of the current year. These P75 values will be the value used as the Annual Proxy Value. A new Annual Proxy Value would be calculated in April of each year using the actual values for the previous twelve (12) months and will become effective May 1 of the current year.

SKMCC_{P(50)} = the \$/MW/h Marginal Congestion Cost of the given FTR's Sink Commercial Pricing Node at the 50th Percentile. The 50th Percentile value for each Commercial Price Node developed using the actual values from April 1 of the prior year through March 31 of the current year will be the value used as the Annual Proxy Value. The new Annual Proxy Value would be calculated in April of each year using the actual values for the previous twelve (12) months and will become effective May 1 of the current year.

$SKMCC_{P(75)}$ = the \$/MW/h Marginal Congestion Cost of the given FTR's Sink Commercial Pricing Node at the 75th Percentile. The 75th Percentile value for each Commercial Price Node developed using the actual values from April 1 of the prior year through March 31 of the current year will be the value used as the Annual Proxy Value. The new Annual Proxy Value would be calculated in April of each year using the actual values for the previous twelve (12) months and will become effective May 1 of the current year.

PR (Peak Ratio) = the percentage of hours for peak and off-peak products. The peak percentage is 48% and the off-peak percentage is 52%. HUM (Hours until Maturity) = the number of days remaining in the life of the FTR by month times 24 (to translate Days to Hours).

M = the set of all on-peak and off-peak FTRs owned by a given Market Participant.

8) Congestion and Losses Potential Exposure

Potential exposure to non-payment associated with Congestion and Losses is calculated per the formula below:

$$\sum_{k \in K} CLIE_k + \sum_{l \in L} CLME_l + CLEE$$

Where:

CLIE (Congestion and Losses Invoiced Exposure) = the value of a given Congestion and Losses Charge/Credit that has been invoiced, but not yet paid.

K = the set of all Congestion and Losses Charge Types that have been invoiced but not yet paid.

CLME (Congestion and Losses Measured Exposure) = the value of a given Congestion and Losses Charge/Credit that has been settled and/or calculated, but not yet invoiced.

L = the set of all Congestion and Losses Charge Types that have been settled and/or calculated, but not yet invoiced.

CLEE (Congestion and Losses Estimated Exposure):

CLEE will be the greater of:

(1) The seven day rolling average of daily Congestion and Losses Charges/Credits from previously approved initial Settlements times six (6).

OR

(2) The three hundred sixty five (365) day rolling average of daily Congestion and Losses Charges/Credits from previously approved S7 Settlements times six (6).

9) Transmission Service Potential Exposure

Transmission Service Potential Exposure is calculated per the formula below:

$$\sum \text{TIE} + \sum \text{RCIE} + \sum \text{HVDCIE} + \sum \text{TME} + \sum \text{RCME} + \sum \text{HVDCME}$$

Where:

TIE (Transmission Invoiced Exposure) = all transmission service charges associated with confirmed Transmission Service reservations from the number of days in the previous month which have been calculated or invoiced but not yet paid.

RCIE (Reliability Coordination Invoiced Exposure) = all Schedule 31 charges associated with Reliability Coordination Service under Part I of Module F that have been invoiced but not yet paid.

HVDCIE (HVDC Service Invoiced Exposure) = all charges associated with HVDC Service that have been invoiced but not yet paid.

TME (Transmission Measured Exposure) = all transmission service charges associated with confirmed Transmission Service reservations for:

A. The number of days of the current month which when added to the number of days in the previous month equals 50 Calendar Days if the TIE has not been paid.

OR

B. The number of days in the current month plus the required number of days in the subsequent month to equal 50 Calendar Days if the TIE has been paid.

RCME (Reliability Coordination Measured Exposure) = all Schedule 31 charges associated with Reliability Coordination Service under Part I of Module F that have been measured but not yet paid.

HVDCME (HVDC Service Measured Exposure) = all charges associated with HVDC Service that have been measured but not yet paid.

10) Module E Potential Exposure

Potential exposure to non-payment associated with Module E transactions is calculated per the formula below:

$$\sum_{c \in C} \text{MEIE}_c + \sum_{d \in D} \text{MEME}_d$$

Where:

MEIE (Module E Invoiced Exposure) = the value of a given Module E Charge/Credit that has been invoiced, but not yet paid.

C = the set of Module E Charges/Credits that have been invoiced but not yet paid.

MEME (Module E Measured Exposure) = the value of a given Module E Charge/Credit that has been settled and/or calculated, but not yet invoiced.

D = the set of Module E Charges/Credits that have been settled and/or calculated, but not yet invoiced

B. Total Potential Exposure Violations

A Tariff Customer will be required to (i) make payments of invoiced but unpaid amounts to reduce its Total Potential Exposure and/or (ii) provide additional Financial Security to increase its Total Credit Limit when the following occurs:

- a. its Total Potential Exposure equals or exceeds its Total Credit Limit;
- b. its Total Potential Exposure (less its FTR Auction Credit Allocation and RAR Auction Credit Allocation) equals or exceeds its Total Credit Limit (less its FTR Auction Credit Exposure and RAR Auction Credit Exposure); or
- c. its FTR Auction Total Credit Exposure equals or exceeds its FTR Auction Credit Allocation.
- d. its RAR Auction Credit Exposure equals or exceeds its RAR Auction Credit Allocation

1) Submission of Financial Security for Total Potential Exposure Violations

Financial Security submitted to increase a Tariff Customer's Total Credit Limit must meet the requirements set for Financial Security as defined in Section V.B. of this Credit Policy.

A Tariff Customer will have two (2) Business Days from receipt of written notification of a Total Potential Exposure Violation to remedy the situation in a manner deemed acceptable by the Transmission Provider.

2) Suspension from Transmission Service and/or Market Services

A Tariff Customer that fails to cure a Total Potential Exposure Violation within the required cure period shall be suspended, in accordance with Sections 7.14(a)(1)(ii) and 7.14(a)(2) of the Tariff, from participating in the Transmission Provider's Energy and Operating Reserve Markets and from requesting any future Markets and Services unless and until Tariff Customer's Total Potential Exposure Violation is cured.

V. CORPORATE GUARANTY AND FORMS OF FINANCIAL SECURITY

Each and every Corporate Guaranty and/or Financial Security provided by or on behalf of an Applicant and/or Tariff Customer shall secure any and all obligations of such Applicant and/or Tariff Customer under or in connection with this Tariff and/or the other Agreements. The Tariff and the other Agreements are subject to cross-default under Section 7.19 of this Tariff, such that default under any Agreement (including, without limitation, any Financial Security) shall be deemed a default under all of the Agreements.

The Transmission Provider reserves the right to deny, reject, or terminate acceptance of any Foreign Guaranty at any time, including for material adverse circumstances or occurrences.

A. Corporate Guaranty

In those cases where an Applicant and/or Tariff Customer is an Affiliate of another entity and would like to utilize the consolidated financial statements and other relevant information of its parent company or another Affiliate for obtaining credit, a signed Corporate Guaranty is required. A Corporate Guaranty may be accepted from a Guarantor that is organized under the laws of a jurisdiction within the United States or Canada (a "Non-Foreign Guarantor") or a Guarantor that is organized under the laws of a jurisdiction outside of the United States or Canada ("Foreign Guarantor"). Through this financial instrument the parent company or other Affiliate guarantees all the liabilities of the Applicant and/or Tariff Customer.

Applicants and/or Tariff Customers will have an opportunity to utilize a Corporate Guaranty if all of the following conditions are met:

- 1) This Credit Policy sets forth financial standards for Non-Foreign Guarantors or Foreign Guarantors. The Guarantor will be eligible to provide a Corporate Guaranty if the Guarantor is found to meet the creditworthiness criteria of the Transmission Provider for its respective category.
- 2) The form and substance of the Corporate Guaranty must be acceptable to the Transmission Provider. See Exhibit I of this policy for an acceptable form of Non-Foreign Guaranty and Exhibit I.A for an acceptable form of Foreign Guaranty. The Transmission Provider may amend the form of Non-Foreign Guaranty and the form of Foreign Guaranty from time to time, either generally or on a case-by-case basis. In general, the Corporate Guaranty should clearly state the identities of the “Guarantor,” “Beneficiary” (Transmission Provider), and the “Obligor” (Transmission Customer and/or Market Participant). Further, the Corporate Guaranty should specify the relationship between the “Guarantor” and the “Obligor.”
- 3) The Non-Foreign Guaranty must be duly authorized by the Guarantor and signed by an officer of the Guarantor. The Transmission Provider may require the Non-Foreign Guarantor to furnish to the Transmission Provider:
 - (i) a properly executed opinion of the Guarantor’s counsel with respect to the enforceability of the Corporate Guaranty, and/or
 - (ii) a certificate of Corporate Guaranty that includes a seal of corporation with the Resolution to the Board of Directors and the Secretary’s Certificate of Director’s Resolutions (both contained in Exhibit I of this Credit Policy) certifying that the execution, delivery, and performance of the Corporate Guaranty has been duly authorized.

Adequate documentation regarding the signature authority of the person signing the Corporate Guaranty must be provided to the Transmission Provider.

The Guarantor will be subject to periodic financial reviews for the purpose of monitoring its creditworthiness, and the Corporate Guaranty will obligate the Guarantor to submit all information and documents required of Applicants and/or Tariff Customer under Section I of this Credit Policy including, without limitation, Rating Agency reports, current financial statements, and information on any Material Change in its financial condition.

Any breach of the Corporate Guaranty by the Guarantor or the requirements of the Guarantor under this policy shall be deemed a breach of this policy and a default under this Tariff by the Guarantor and the respective Applicant(s) and/or Tariff Customer(s) for whose benefit the Corporate Guaranty was issued. A breach of this policy and a default under this Tariff shall also occur if: (i) the Corporate Guaranty expires or terminates (other than in accordance with its terms or upon the written consent of the Transmission Provider); (ii) the Guarantor disaffirms, disclaims, repudiates or rejects or challenges the validity of all or any part of the Corporate Guaranty; or (iii) the Corporate Guaranty or any material provision of the Corporate Guaranty ceases to be in full force and effect (other than in accordance with its terms or upon the written consent of the Transmission Provider).

An Applicant and/or Tariff Customer or the Guarantor may request the withdrawal of its Corporate Guaranty by providing a written request to do so to Transmission Provider credit personnel. Notwithstanding any withdrawal request, a Corporate Guaranty may be withdrawn and/or terminated only upon approval by Transmission Provider. The Transmission Provider will not approve withdrawal or termination of a Corporate Guaranty unless and until:

- (i) alternate Financial Security acceptable to the Transmission Provider has been provided; or
- (ii) all financial obligations of Applicant and/or Tariff Customer under this Tariff and all other Agreements have been irrevocably satisfied in full and, if an Applicant, the Applicant has withdrawn its application to become a Market Participant, Transmission Customer or Coordination Customer and, if a Tariff Customer, the Tariff Customer is no longer a Market Participant, Transmission Customer or Coordination Customer.

If a Guarantor provides Corporate Guaranties for multiple Applicants and/or Tariff Customer and/or is also a Tariff Customer, the sum value of the Unsecured Credit Allowance of all such Applicants and/or Tariff Customer and the Guarantor shall not exceed the lesser of:

- (i) the approved Unsecured Credit Allowance for the Guarantor based on Transmission Provider's financial review of Guarantor; or
- (ii) \$75 million for Non-Foreign Guaranties and \$25 million for Foreign Guaranties.

If a Corporate Guaranty is utilized to establish an Unsecured Credit Allowance for an Applicant or Tariff Customer, the value of the Corporate Guaranty shall be the least of:

- (i) the limit imposed in the Corporate Guaranty; or
- (ii) the portion of the Unsecured Credit Allowance calculated for the Guarantor that is allocated to such Applicant and/or Tariff Customer in Transmission Provider's discretion; or
- (iii) \$75 million for Non-Foreign Guaranties and \$25 million for Foreign Guaranties.

See Section II.B for further information on Unsecured Credit Allowance.

1. Non-Foreign Guaranties

Applicants and/or Tariff Customers who request a Non-Foreign form of Guaranty may be extended unsecured credit equal to the least of:

- (i) the amount determined as a result of financial review of the Guarantor by the Transmission Provider;
- (ii) the amount guaranteed by the Guarantor if the Transmission Provider finds such amount appropriate; and
- (iii) \$75 Million or, the total of all unsecured credit where the Guarantor is also an Applicant and/or Tariff Customer or guarantees the obligations of more than one Applicant and/or Tariff Customer, the portion of the \$75 million Unsecured Credit maximum that the Transmission Provider allocates to the Applicant and/or Tariff Customer, in the Transmission Provider's discretion.

Any shortfall between the Total Potential Exposure and the Unsecured Credit granted to the Applicant and/or Tariff Customer as a result of financial review of the Guarantor will require additional Financial Security.

2. Foreign Guaranties

A Foreign Guaranty is a Corporate Guaranty that is provided by a Foreign Guarantor. A Tariff Customer may provide a Foreign Guaranty in satisfaction of part of its credit obligations provided that all of the following conditions are met:

a. A Foreign Guaranty:

- i. Must contain provisions equivalent to those contained in the Transmission Provider's standard form of Foreign Guaranty with any modifications subject to review and approval by the Transmission Provider's counsel.
- ii. Must be denominated in US currency.
- iii. Must be written and executed solely in English, including any duplicate originals.
- iv. Will not be accepted towards a Tariff Customer's Unsecured Credit Allowance for more than the following limits, depending on the Foreign Guarantor's credit rating and the sovereign rating of the country:

Rating of Foreign Guarantor	Maximum Accepted Guaranty if Country Rating is AA+ (in U.S. Dollars)
A- and above	25,000,000
BBB+	15,000,000
BBB	5,000,000
BBB- or below	0

- v. May not exceed 50% of the Tariff Customer's Unsecured Credit Allowance, if the Foreign Grantor is rated less than BBB+.

b. A Foreign Guarantor:

i. Credit Requirements:

Must not only satisfy all provisions of the Transmission Provider's Credit Policy applicable to Non-Foreign Guarantors, but must also have a Senior Unsecured debt rating of BBB or greater (or the equivalent, in the Transmission Provider's sole discretion) as provided by the rating agency approved by the Transmission Provider which includes those credit rating agencies registered with the Securities and Exchange Commission as Nationally Recognized Statistical Rating Organizations (NRSRO) (e.g. S&P, Moody's, Fitch, Dominion Bond Rating Service, Ltd. (DBRS), A.M. Best Company, Inc., Japan Credit Rating Agency, Ltd., Rating and Investment Information, Inc., Egan-Jones Rating Company) by any and all agencies that provide rating coverage of the entity. The credit limit extended to a Foreign Guarantor will be based on the Transmission Provider's credit scoring model applicable to Domestic Guarantors; however, the maximum Unsecured Credit Allowance will be capped by the credit rating and the sovereign rating as detailed in the above table.

ii. Additional Requirements

- Must be an Affiliate of the Tariff Customer.
- Must provide audited financials in GAAP format or International Financial Reporting Standards (IFRS) format with a clear representation of net worth, intangible assets, and any other information the Transmission Provider may require in order to determine the entity's Unsecured Credit Allowance.
- Must maintain an agent for acceptance of service of process in the United States; such agent shall be situated in the State of Indiana
- Must provide a Secretary's Certificate certifying the adoption of Corporate Resolutions:

1. Authorizing and approving the Guaranty; and
2. Authorizing the Officers to execute and deliver the Guaranty on behalf of the Guarantor.
 - Must be domiciled in a country with a minimum long-term sovereign (or equivalent) rating of AA+/Aa1, with the following conditions:
 1. Sovereign ratings must be available from at least two rating agencies acceptable to Transmission Provider which includes those credit rating agencies registered with the Securities and Exchange Commission as Nationally Recognized Statistical Rating Organizations (NRSRO) (e.g. S&P, Moody's, Fitch, Dominion Bond Rating Service, Ltd. (DBRS), A.M. Best Company, Inc., Japan Credit Rating Agency, Ltd., Rating and Investment Information, Inc., Egan-Jones Rating Company).
 2. Each agency's sovereign rating for the domicile will be considered to be the lowest of: country ceiling, senior unsecured government debt, long-term foreign currency sovereign rating, long-term local currency sovereign rating, or other equivalent measures, at the Transmission Provider's sole discretion.
 3. Whether ratings are available from two or three agencies, the lowest of the two or three will be used.
 - Must be domiciled in a country that recognizes and enforces judgments of US courts.
 - Must demonstrate financial commitment to activity in the United States as evidenced by one of the following:
 1. American Depository Receipts (ADR) are traded on the New York Stock Exchange, American Stock Exchange, or NASDAQ.
 2. Equity ownership worth over USD 100,000,000 in the wholly-owned or majority owned subsidiaries in the United States

- Must satisfy all other applicable provisions of the Transmission Provider's Tariff and/or Operating Agreement, including this Credit Policy.
- Must pay for all expenses incurred by the Transmission Provider related to reviewing and accepting Foreign Guaranty beyond nominal in-house credit and legal review.
- Must, at its own cost provide the Transmission Provider with an independent legal opinion from an attorney/solicitor of the Transmission Provider's choosing and licensed to practice law in the United States and/or Guarantor's domicile, in form and substance acceptable to the Transmission Provider in its sole discretion, confirming the enforceability of the Foreign Guaranty, the Guarantor's legal authorization to grant the Guaranty, the conformance of the Guaranty, Guarantor, and Guarantor's domicile to all of these requirements, and such other matters as the Transmission Provider may require in its sole discretion.

B. Acceptable Forms of Financial Security

Applicants and/or Tariff Customer who provide Financial Security under the terms of this Credit Policy may submit Financial Security in the form of Cash Deposit or Irrevocable Letter of Credit. All of the above instruments may be submitted separately or in combinations to constitute the full amount of any required Financial Security. The Transmission Provider will instruct the Applicant and/or Tariff Customer as to the form of Financial Security most appropriate to its circumstances. The Applicants and/or Tariff Customer will be required to fulfill their obligations for Financial Security per the Transmission Provider's instructions.

Any breach of a Financial Security by the person issuing the Financial Security under this policy shall be deemed a breach of this policy and a default under this Tariff by the person issuing the Financial Security and the respective Applicant(s) and/or Tariff Customer (s) for whose benefit the Financial Security was issued. A breach of this policy and a default under this Tariff shall also occur if: (i) the Financial Security expires or terminates (other than in accordance with its terms or upon the written consent of the Transmission Provider); (ii) the person issuing the Financial Security disaffirms, disclaims, repudiates or rejects or challenges the validity of all or any part of the Financial Security; or (iii) the Financial Security or any material provision of the Financial Security ceases to be in full force and effect (other than in accordance with its terms or upon the written consent of the Transmission Provider).

1) Cash Deposits

A Cash Deposit in an amount determined by the Transmission Provider may serve as a form of Financial Security. The initial Cash Deposit must be accompanied by execution and delivery of a “Cash Collateral Agreement” in the form attached to this Credit Policy as Exhibit III and, upon the request of the Transmission Provider, a “Control Agreement” in a form approved by the Transmission Provider. The Transmission Provider may amend the forms of agreement from time to time, either generally or on a case-by-case basis.

The Cash Deposit will be placed in a segregated account to be registered in Transmission Provider’s name and to be held within the complete control of the Transmission Provider to secure the payment of the Applicant’s and/or Tariff Customer’s obligations under or in connection with the Tariff and/or any of the other Agreements. Cash Deposits will be held in accordance with the Cash Collateral Agreement and will accrue interest at the Transmission Provider’s overnight bank rate. This interest will accrue to the benefit of the Applicant and/or Tariff Customer and be added to the balance of the segregated account. Accrued and unpaid interest that has not been applied to satisfy the Applicant’s and/or Tariff Customer’s obligations will be released and paid to the Applicant and/or Tariff Customer quarterly on January 31st, April 30th, July 31st, and October 31st of each year; provided that the Transmission Provider shall not be obligated to pay any interest to the Applicant and/or Tariff Customer or release any amount from the segregated account after and during the continuation of a default.

The Applicant and/or Tariff Customer shall be required in the Credit and Security Agreement and/or Cash Collateral Agreement to grant Transmission Provider a first priority security interest in and to any and all cash, cash collateral and deposit accounts held or controlled by the Transmission Provider then existing or thereafter opened and any and all proceeds of such collateral, including, without limitation, the cash and interest deposited therein. This security interest secures the prompt payment when due of any and all obligations of the Applicant and/or Tariff Customer under or in connection with this Tariff, and/or any and all other Agreements.

Should an Applicant and/or Tariff Customer fail to make a timely payment, the Applicant's and/or Tariff Customer's outstanding account balance will be satisfied using deposited funds. If any portion or all of the deposit is used to satisfy an Applicant's and/or Tariff Customer's obligation, the deposit must be promptly replenished within ten (10) Business Days.

At the Transmission Provider's discretion, an Applicant or Tariff Customer may replace Cash Deposits with other forms of Financial Security.

2) Irrevocable Letter of Credit

An Irrevocable Letter of Credit for the value of Financial Security required by the Transmission Provider may be submitted as a form of Financial Security. *See* Exhibit II of this Credit Policy for an acceptable form of Irrevocable Letter of Credit. The Transmission Provider may amend the form of Irrevocable Letter of Credit from time to time, generally or on a case-by-case basis.

The Irrevocable Letter of Credit should clearly specify the “Issuer,” the “Account Party” and “Beneficiary,” the initial term of one (1) year and the dollar amount available for drawing. It should also include a statement as to the instructions and terms for funds disbursement (*see* Exhibit II). The financial institution issuing the Irrevocable Letter of Credit must have a minimum corporate debt rating of an “A-” by S&P, “A3” by Moody’s, “A-” by Fitch or an equivalent short-term debt rating by any of these agencies at the time of issuance and at all times the Irrevocable Letter of Credit is outstanding. All costs associated with obtaining an Irrevocable Letter of Credit will be the sole responsibility of the Applicant and/or Tariff Customer. If Tariff Customer chooses to replace an Irrevocable Letter of Credit with a new Irrevocable Letter of Credit, the Transmission Provider will return the initial Irrevocable Letter of Credit when the replacement Irrevocable Letter of Credit is received by the Transmission Provider in form and amount acceptable to the Transmission Provider.

Under the form of Irrevocable Letter of Credit, the Irrevocable Letter of Credit automatically renews each year unless the issuing financial institution provides a notice to the Transmission Provider at least one hundred twenty (120) days prior to its expiration date stating its decision not to renew the Irrevocable Letter of Credit. Regardless of whether the Irrevocable Letter of Credit automatically renews, if the Irrevocable Letter of Credit is not renewed, for at least an additional year, at least one hundred twenty (120) days prior to its stated expiration date (a “Non-Renewal Event”), the Applicant and/or Tariff Customer must submit another form of Financial Security acceptable to the Transmission Provider, in the Transmission Provider’s sole discretion, no later than one hundred ten (110) days prior to the stated expiration date.

Should the amount of the Irrevocable Letter of Credit fall below the required level due to a drawing, it must be promptly replenished or substituted by another form of Financial Security acceptable to the Transmission Provider within ten (10) Business Days.

If the issuing financial institution's corporate debt is rated less than "A-" by S&P, "A3" by Moody's or "A-" by Fitch or an equivalent short-term debt rating (a "Rating Event"), the Transmission Provider may require the Applicant and/or Tariff Customer to submit another form of Financial Security acceptable to the Transmission Provider, in the Transmission Provider's sole discretion, promptly (no later than ten (10) Business Days of such request) in place of the Irrevocable Letter of Credit.

If the Applicant and/or Tariff Customer fails to submit the required Financial Security within the required time period after a Non-Renewal Event or Rating Event, it shall be a default under this Credit Policy and the Tariff. In addition to any other remedies available to the Transmission Provider, the Transmission Provider may draw down the entire Irrevocable Letter of Credit and hold the proceeds in an unsegregated account and apply such proceeds to amounts owed by the Applicant and/or Tariff Customer under this Tariff, and/or any of the other Agreements. If the Applicant and/or Tariff Customer executes and delivers the documents required by the Transmission Provider, including, without limitation, a "Cash Collateral Agreement" in the form attached to this Credit Policy (or such other form acceptable to the Transmission Provider) or an amendment thereto, the Transmission Provider shall treat the amount obtained upon such draw and not previously applied to amounts owed by such Applicant and/or Tariff Customer as a Cash Deposit and transfer it to a segregated account.

By executing the Credit and Security Agreement, the Applicant and/or Tariff Customer grants the Transmission Provider a first priority security interest in and to any and all proceeds of any and all Letters of Credit then existing or thereafter issued with the Transmission Provider as Beneficiary and Applicant and/or Tariff Customer as Account Party, including, without limitation, the cash issued upon a draw thereon. This security interest secures the prompt payment when due of any and all obligations of the Applicant and/or Tariff Customer under or in connection with the Tariff and any and all other Agreements.

Should an Applicant and/or Tariff Customer fail to make a timely payment, the Transmission Provider may use proceeds from the Letter of Credit to satisfy the Applicant's and/or Tariff Customer's outstanding account balance.

VI. REQUESTS TO CHANGE UNSECURED CREDIT OR FINANCIAL SECURITY

If there is a positive Material Change in the financial condition of the Tariff Customer, a significant reduction in the Total Potential Exposure of the Tariff Customer, or any other change that the Tariff Customer believes may warrant an increase in the Tariff Customer's Unsecured Credit Allowance and/or a reduction in the Financial Security provided by the Participant, the Tariff Customer may make a written request to the Transmission Provider to reevaluate the Tariff Customer's Unsecured Credit Allowance and/or the Tariff Customer's level of Financial Security. The Transmission Provider will respond to such a request within a reasonable time after receiving all information that it requests in response to the Tariff Customer's request. The Transmission Provider anticipates that it will respond to the Tariff Customer's request within ten (10) Business Days of receiving all such information.

VII. DEFAULTS

Any violation of any provision of this Credit Policy as it may be amended from time to time, unless cured within any applicable cure period set forth herein, shall be a default under this Credit Policy and this Tariff. Section 7.19 of this Tariff provides that any default under this Tariff (including, without limitation, this Credit Policy) and/or any other Agreements shall constitute a default under the Tariff and all of the Agreements.

Table 1		
Percent of Tangible Net Worth		
Composite Credit Score	Non-Public Power	Public Power
1.00 to 1.66	10.0%	12.0%
1.67 to 2.00	9.0%	11.0%
2.01 to 2.33	8.0%	10.0%
2.34 to 2.66	7.0%	9.0%
2.67 to 3.00	6.0%	8.0%
3.01 to 3.33	5.0%	7.0%
3.34 to 3.66	4.0%	6.0%
3.67 to 4.00	3.0%	5.0%
4.01 to 4.33	2.0%	3.5%
4.34 to 4.66	1.0%	2.0%
4.67 to 5.00	0.5%	1.0%
5.01 to 6.00	0.0%	0.0%

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EXHIBIT I CORPORATE GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, including, without limitation, the credit advance by the Midwest Independent Transmission System Operator, Inc. (“Transmission Provider”) to _____ (“Company”), the undersigned guarantor (“Guarantor”), hereby unconditionally and irrevocably guarantees the prompt and complete payment of all amounts that Company now or hereafter owes, and the performance of all other obligations of the Company, under the terms and conditions of the Transmission Provider’s Transmission, Energy and Operating Reserve Markets Tariff on file with the Federal Energy Regulatory Commission, as may be amended and supplemented from time to time, together with all schedules and attachments thereto and any replacements or substitutes (the “Tariff”), any agreements entered into by Company under, pursuant to, or in connection with the Tariff and/or any agreements to which Transmission Provider and Company are Parties, as may be amended or supplemented from time to time whether now existing or hereafter arising in accordance with their respective terms, together with costs of enforcement and collection, including attorneys’ fees (collectively, the “Liabilities”). The Tariff, any and all agreements entered into by Company under, pursuant to or in connection with the Tariff, and any and all agreements to which the Company and Transmission Provider are parties, each as it may be amended from time to time and whether it currently exists or is entered into at anytime in the future are collectively referred to herein as the “Agreements”. The Agreements include, without limitation, the Tariff, the Service Agreement, dated _____, _____, the Market Participant Agreement, dated _____, _____, and the Credit and Security Agreement, dated _____, _____.

1. If Company does not perform each of its obligations in strict accordance with each respective Agreement, Guarantor shall immediately pay upon demand all amounts now or hereafter due under all of the Agreements (including, without limitation, all principal, interest and fees) and otherwise proceed to complete the same and satisfy all of the Liabilities, including Company's obligations under all of the Agreements. This Guaranty may be satisfied by Guarantor paying and/or performing (as appropriate) Company's Liabilities or by the Guarantor causing Company's Liabilities to be paid or performed; provided, however, that Guarantor shall at all times remain fully responsible and liable for its obligations hereunder notwithstanding any such payment or performance (or failure thereof) by any third party.
2. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance by Company of all of the Liabilities, including each of its obligations under each of the Agreements, and not of collectibility only, and is in no way conditioned upon any requirement that Transmission Provider (or any other person) first attempt to collect payment from Company or any other guarantor or surety or resort to any security or other means of obtaining payment of all or any part of the Liabilities or upon any other contingency. This is a continuing guaranty and shall be binding upon Guarantor regardless of: (i) how long after the date hereof the Agreement is entered into; (ii) how long after the date hereof any part of the obligations under the Agreements is incurred by Company; and (iii) the amount of the obligations under the Agreements at any time outstanding. Transmission Provider may enforce this Guaranty from time to time and as often as occasion for such enforcement may arise.

3. The obligations hereunder are independent of the obligations of Company and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against Company or whether Guarantor is joined in any such action or actions. Guarantor's liability under this Guaranty is not conditioned or contingent upon genuineness, validity, regularity or enforceability of any of the Agreements.

4. Guarantor authorizes Transmission Provider, without notice or demand and without affecting its liability hereunder, from time to time, to: (i) renew, extend, modify, supplement or otherwise change the terms of any or all the Agreements or any part thereof; (ii) take and hold security for the payment of this Guaranty or any or all of the Liabilities, and exchange, enforce, waive and release any such security; and (iii) apply such security and direct the order or manner of sale of any collateral provided as such security as Transmission Provider (or any other person) in its sole discretion may determine. The obligations and liabilities of Guarantor hereunder shall be absolute and unconditional, shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim Guarantor may have against Company, any other Guarantor, or any other person or entity, and shall remain in full force and effect until all of the obligations of Guarantor hereunder and all of the Liabilities, including all obligations of Company under each of the Agreements, have been fully and irrevocably satisfied, without regard to, or release or discharge by, any event, circumstance or condition (whether or not Guarantor shall have knowledge or notice thereof) which might constitute a legal or equitable defense or discharge of a Guarantor or surety or which might in any way limit recourse against Guarantor, including without limitation: (i) any renewal, amendment or modification of, or supplement to, the terms of any or all of the Agreements; (ii) any waiver, consent or indulgence by Transmission Provider (or any other person), or any exercise or non-exercise by Transmission Provider (or any other person) of any right, power or remedy, under or in respect of this Guaranty or any of or all the Agreements

(whether or not Guarantor or Company has or have notice or knowledge of any such action or inaction); (iii) the invalidity or unenforceability, in whole or in part, of any or all of the Agreements, or the termination, cancellation or frustration of any thereof, or any limitation or cessation of Company's liability under any thereof (other than any limitation or cessation expressly provided for therein), including without limitation any invalidity, unenforceability or impaired liability resulting from Company's lack of capacity, power and/or authority to enter into any or all of the Agreements and/or to incur any or all of the obligations thereunder, or from the execution and delivery of any or all of the Agreements by any person acting for Company without or in excess of authority; (iv) any actual, purported or attempted sale, assignment or other transfer by Transmission Provider (or any other person) of any or all of the Agreements or of any or all of its rights, interests or obligations thereunder; (v) the taking or holding by Transmission Provider of a security interest, lien or other encumbrance in or on any property as security for any or all of the Liabilities, including any or all of the obligations of Company under any or all of the Agreements, the posting of a cash deposit, letter of credit, performance bond or other financial accommodation, or any exchange, release, non-perfection, loss or alteration of, or any other dealing with, any such security; (vi) the addition of any party as a guarantor or surety of all or any part of the Liabilities, including obligations of Company under any or all of the Agreements; (vii) any merger, amalgamation or consolidation of Company into or with any other entity, or any sale, lease, transfer or other disposition of any or all of Company's assets or any sale, transfer or other disposition of any or all of the shares of capital stock or other securities of Company to any other person or entity; or (viii) any change in the financial condition of Company or (as applicable) of any subsidiary, affiliate, partner or controlling shareholder thereof, or Company's entry into an assignment for the benefit of creditors, an arrangement or any other Agreement or procedure for the restructuring of its liabilities, or Company's insolvency, bankruptcy, reorganization, dissolution, liquidation or any similar action by or occurrence with respect to Company.

5. Guarantor unconditionally waives, to the fullest extent permitted by law: (i) notice of any of the matters referred to in §4 hereof; (ii) any right to the enforcement, assertion or exercise by Transmission Provider (or any other person) of any of Guarantor of its rights, powers or remedies under, against or with respect to (a) any of the Agreements, (b) any other guarantor or surety, or (c) any security for all or any part of the Liabilities, including the obligations of Company under all or any of the Agreements or obligations of Guarantor hereunder; (iii) any requirement of diligence and any defense based on a claim of laches; (iv) all defenses which may now or hereafter exist by virtue of any statute of limitations, or of any stay, valuation, exemption, moratorium or similar law, except the sole defense of full and indefeasible payment; (v) any requirement that Guarantor be joined as a party in any action or proceeding against Company to enforce any of the provisions of any of the Agreements; (vi) any requirement that Guarantor be involved in any dispute resolution procedures involving the Company to enforce any of its obligations under any of the Agreements (including the dispute resolution procedures set forth in the Tariff); (vii) any requirement that Transmission Provider (or any other person) mitigate or attempt to mitigate damages resulting from a default by Guarantor hereunder or from a default by Company under any of the Agreements; (viii) acceptance of this Guaranty; and (ix) all presentments, protests, notices of dishonor, demands for performance and any and all other demands upon and notices to Company, and any and all other formalities of any kind, the omission of or delay in performance of which might but for the provisions of this Section constitute legal or equitable grounds for relieving or discharging Guarantor in whole or in part from its irrevocable, absolute and continuing obligations hereunder, it being the intention of Guarantor that its obligations hereunder shall not be discharged except by payment and performance and then only to the extent thereof.

6. Guarantor waives any right to require Transmission Provider (or any other person) to (i) proceed against Company; (ii) proceed against or exhaust any security held from Company; or (iii) pursue any other remedy whatsoever. So long as any obligations remain outstanding under this Guaranty or any of the Agreements, Guarantor shall not exercise any rights against Company arising as a result of payment by Guarantor hereunder, by way of subrogation or otherwise, and will not prove any claim in competition with Transmission Provider (or any other party to any of the Agreements) in respect of any payment under the Agreements in bankruptcy or insolvency proceedings of any nature. Guarantor will not claim any set-off or counterclaim against Company in respect of any liability of Guarantor to Company and Guarantor waives any benefit of any right to participate in any collateral which may be held by Transmission Provider (or any other party to any of the Agreements or holding any security for any of the Liabilities).

7. If after receipt of any payment of, or the proceeds of any collateral for, all or any part of the Liabilities, the surrender of such payment or proceeds is compelled or volunteered to any person because such payment or application of proceeds is or may be avoided, invalidated, recaptured, or set aside as a preference, fraudulent conveyance, impermissible set -off or for any other reason, whether or not such surrender is the result of: (i) any judgment, decree or order of any court or administrative body having jurisdiction, or (ii) any settlement or compromise of any claim as to any of the foregoing with any person (including Company), then the Liabilities, or part thereof affected, shall be reinstated and continue and this Guaranty shall be reinstated and continue in full force as to such Liabilities or part thereof as if such payment or proceeds had not been received, notwithstanding any previous cancellation of any instrument evidencing any such Liabilities or any previous instrument delivered to evidence the satisfaction thereof. The provisions of this Section shall survive the termination of this Guaranty and any satisfaction and discharge of Company by virtue of any payment, court order or any Federal, state or local law.

8. Any indebtedness of Company now or hereafter held by Guarantor is hereby subordinated to the Liabilities and any indebtedness of Company under any of the Agreements; and such indebtedness of Company to Guarantor shall be collected, enforced and received by Guarantor as trustee for Transmission Provider and be paid over to Transmission Provider on account of the Liabilities but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

9. Guarantor represents and warrants to Transmission Provider, as an inducement to Transmission Provider to make the credit advances to Company, that: (i) the execution, delivery and performance by Guarantor of this Guaranty (a) are within Guarantor's powers and have been duly authorized by all necessary action; (b) do not contravene Guarantor's charter documents or any law or any contractual restrictions binding on or affecting Guarantor or by which Guarantor's property may be affected; and (c) do not require any authorization or approval or other action by, or any notice to or filing with, any public authority or any other person except such as have been obtained or made; (ii) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally and by general principles of equity; (iii) Company is a wholly owned subsidiary of Guarantor; and (iv) there is no action, suit or proceeding affecting Guarantor pending or threatened before any court, arbitrator, or public authority that may materially adversely affect Guarantor's ability to perform its obligations under this Guaranty.

10. The Guarantor must submit any and all documents that the Guarantor would be required to submit under Transmission Provider's Credit Policy (as may be amended from time to time) if the Guarantor applied for and/or obtained credit under such Credit Policy, including, without limitation, (i) at least annually a current bond/debt rating report for senior unsecured debt of the Guarantor and an issuer rating issued by Moody's Investor Services or Standard & Poor's, promptly upon its issuance, and (ii) financial reports of the Guarantor promptly upon their issuance including, without limitation, annual audited financial statements prepared in accordance with generally accepted accounting principles, with auditor notes and auditor's report, to be delivered no later than one hundred twenty (120) days after the end of each fiscal year of the Guarantor and internally prepared quarterly financial statements prepared in accordance with generally accepted accounting principles, no later than sixty (60) days after the end of each fiscal quarter of the Guarantor. Further, Guarantor must inform Transmission Provider in writing within five (5) Business Days of any Material Change (as defined in the Transmission Provider's Credit Policy, as may be amended from time to time) in its financial status. In addition to any other remedies available at law or in equity, a Guarantor's failure to provide this information may result in proceedings by Transmission Provider to terminate the Agreements with the Company.

11. Guarantor agrees to pay on demand reasonable attorneys' fees and all other costs and expenses which Transmission Provider, and any ITCs (as defined in the Tariff), their affiliates, representatives, successors and assigns may incur in the enforcement of this Guaranty. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without Transmission Provider's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective. This Guaranty embodies the entire Agreement among the parties hereto with respect to the matters set forth herein, and supersedes all prior Agreements among the parties with respect to the matters set forth herein. No course of prior dealing among the parties, no usage of trade, and no parole or extrinsic evidence of any nature shall be used to supplement, modify or vary any of the terms hereof. There are no conditions to the full effectiveness of this Guaranty. Transmission Provider may assign this Guaranty, and its rights hereunder in whole or in part, without consent and without in any way affecting Guarantor's liability under it. This Guaranty shall inure to the benefit of Guarantor, Transmission Provider, Company, the ITCs and their successors and assigns. Guarantor may not assign this Guaranty without Transmission Provider's consent. This Guaranty is in addition to the guaranties of any other guarantors and any and all other guaranties of any of the Liabilities, including Company's indebtedness or obligations under any or all of the Agreements.

12. This Guaranty shall be governed by the laws of the State of Indiana, without regard to conflicts of law principles. Guarantor hereby irrevocably submits to the jurisdiction of any Indiana or United States Federal court sitting in Indiana over any action or proceeding arising out of or relating to this Guaranty or any of the Agreements, and Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Indiana state or federal court. Guarantor irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Guarantor at its address set forth herein. Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Guarantor further waives any objection to venue in Indiana and any objection to an action or proceeding in such State on the basis of forum non-conveniens. Guarantor further agrees that any action or proceeding brought against Transmission Provider shall be brought only in Indiana or the United States Federal courts sitting in Indiana. Nothing herein shall affect the right of Transmission Provider to bring any action or proceeding against the Guarantor or its property in the courts of any other jurisdictions.
13. GUARANTOR ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS GUARANTY AND THAT IT MAKES THE FOLLOWING WAIVER KNOWINGLY AND VOLUNTARILY. GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY COURT AND IN ANY SUIT, ACTION OR PROCEEDING OR ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS GUARANTY, THE AGREEMENTS OR ANY DOCUMENTS RELATED THERETO (INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS) AND THE ENFORCEMENT OF ANY OF COMPANY'S RIGHTS AND REMEDIES.

14. GUARANTOR HEREBY KNOWINGLY AND VOLUNTARILY AGREES THAT THE RESOLUTION OF ANY DISPUTE THAT ARISES UNDER THIS GUARANTY SHALL NOT BE SUBJECT TO THE DISPUTE RESOLUTION PROCEDURES SET FORTH IN THE TARIFF AND WAIVES ANY RIGHTS TO THE CONTRARY.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty as of this ____ day of _____, _____.

[GUARANTOR] Tax I.D. No. _____

By: _____

Print Name: _____

Title: _____

(Officer of the Corporation)

Address: _____

CONTINUED, EXHIBIT I -CORPORATE GUARANTY

SECRETARY'S CERTIFICATE OF DIRECTORS' RESOLUTIONS

I, _____, do hereby certify that I am the Secretary of _____, a _____ corporation; that I am the keeper of the corporate records and the seal of said Corporation; that the foregoing is true and correct copy of resolutions duly adopted and ratified by the Board of Directors of said Corporation in accordance with its bylaws and the laws of the said State on the _____ day of _____, _____ as compared by me with the original of said resolutions recorded in the minutes of said Corporation which resolutions authorize the Corporation to execute that certain Unconditional Corporate Guaranty in consideration for, among other things, the credit advance of the Midwest Independent Transmission System Operator, Inc. to _____; and the same have not in any way been modified, repealed or rescinded but are in full force and effect; that the foregoing resolutions are not inconsistent with the Certificate of Incorporation and the bylaws of this Corporation.

WITNESS, my hand and the seal of said corporation this _____ day of _____, _____.

Secretary
[CORPORATE SEAL]

CONTINUED, EXHIBIT I- CORPORATE GUARANTY

RESOLUTION TO THE BOARD OF DIRECTORS

WHEREAS, _____ (the “Subsidiary”) desires to become and/or remain a Transmission Customer or Market Participant under the Transmission, Energy and Operating Reserve Markets Tariff (the “Tariff”) of the Midwest Independent Transmission System Operator, Inc. (the “Company”) and for the Company to make credit advances to the Subsidiary; and

WHEREAS, this Corporation deems it to be in its direct benefit and in its best interests to guaranty all present and future obligations of the Subsidiary under the Tariff and certain other agreements as an inducement to the Company to allow the Subsidiary to become or remain a Transmission Customer and/or Market Participant under the Tariff and to provide credit advances to the Subsidiary;

NOW THEREFORE, it is hereby:

RESOLVED, that the Board of Directors of this Corporation hereby approves the guaranty of obligations of the Subsidiary by this Corporation substantially as set forth in the Corporate Guaranty attached to these Resolutions as Exhibit A; and it is further

RESOLVED, that the officers and agents of this Corporation are hereby authorized, directed and empowered to make, execute and deliver, either jointly or individually, for and on behalf of and in the name of this Corporation, a guaranty with respect to the obligations of the Subsidiary under the Tariff and certain other agreements and any and all amendments, supplements and modifications thereto substantially in the form of the Corporate Guaranty attached to these Resolutions as Exhibit A; and it is further

RESOLVED, that said officers and agents, and each of them, are hereby authorized, directed and empowered, either jointly or individually, to execute and deliver any and all instruments, papers and documents and to do all other acts that each of them may deem convenient or proper to effectuate the purpose and intent of these Resolutions from time to time or otherwise; and it is further

RESOLVED, that all action heretofore taken and all documentation heretofore delivered by any of said officers and agents, or by any individual who currently holds or has held any of said offices, in furtherance of the foregoing is hereby ratified, adopted, approved and confirmed and declared to be binding and enforceable obligations of this Corporation in accordance with the respective terms and provisions hereof, and it is further

RESOLVED, that the authorization herein set forth shall remain in full force and effect until written notice of their modification or discontinuance shall be given to and actually received by the Company, but no such modification or discontinuance shall affect the validity of the acts of any person, authorized to so act by these resolutions performed prior to the receipt of such notice by the Company.

CONTINUED, EXHIBIT I- CORPORATE GUARANTY

FOREIGN GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, including, without limitation, the credit advance by the Midwest Independent Transmission System Operator, Inc. (“Transmission Provider”) to (“Company”), the undersigned guarantor (“Guarantor”), hereby unconditionally and irrevocably guarantees the prompt and complete payment of all amounts that Company now or hereafter owes, and the performance of all other obligations of the Company, under the terms and conditions of the Transmission Provider’s Open Access Transmission, Energy and Operating Reserve Markets Tariff on file with the Federal Energy Regulatory Commission, as may be amended and supplemented from time to time, together with all schedules and attachments thereto and any replacements or substitutes (the “Tariff”), any agreements entered into by Company under, pursuant to, or in connection with the Tariff and/or any agreements to which Transmission Provider and Company are Parties, as may be amended or supplemented from time to time whether now existing or hereafter arising in accordance with their respective terms, together with costs of enforcement and collection, including attorneys’ fees (collectively, the “Liabilities”). The Tariff, any and all agreements entered into by Company under, pursuant to or in connection with the Tariff, and any and all agreements to which the Company and Transmission Provider are parties, each as it may be amended from time to time and whether it currently exists or is entered into at anytime in the future are collectively referred to herein as the “Agreements”. The Agreements include, without limitation, the Tariff, the Service Agreement, dated _____, _____, the Market Participant Agreement, dated _____, _____, and the Credit and Security Agreement, dated _____, _____.

1. If Company does not perform each of its obligations in strict accordance with each respective Agreement, Guarantor shall immediately pay upon demand all amounts now or hereafter due under all of the Agreements (including, without limitation, all principal, interest and fees) and otherwise proceed to complete the same and satisfy all of the Liabilities, including Company's obligations under all of the Agreements. This Guaranty may be satisfied by Guarantor paying and/or performing (as appropriate) Company's Liabilities or by the Guarantor causing Company's Liabilities to be paid or performed; provided, however, that Guarantor shall at all times remain fully responsible and liable for its obligations hereunder notwithstanding any such payment or performance (or failure thereof) by any third party.
2. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance by Company of all of the Liabilities, including each of its obligations under each of the Agreements, and not of collectibility only, and is in no way conditioned upon any requirement that Transmission Provider (or any other person) first attempt to collect payment from Company or any other guarantor or surety or resort to any security or other means of obtaining payment of all or any part of the Liabilities or upon any other contingency. This is a continuing guaranty and shall be binding upon Guarantor regardless of: (i) how long after the date hereof the Agreement is entered into; (ii) how long after the date hereof any part of the obligations under the Agreements is incurred by Company; and (iii) the amount of the obligations under the Agreements at any time outstanding. Transmission Provider may enforce this Guaranty from time to time and as often as occasion for such enforcement may arise.

3. The obligations hereunder are independent of the obligations of Company and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against Company or whether Guarantor is joined in any such action or actions. Guarantor's liability under this Guaranty is not conditioned or contingent upon genuineness, validity, regularity or enforceability of any of the Agreements.

4. Guarantor authorizes Transmission Provider, without notice or demand and without affecting its liability hereunder, from time to time, to: (i) renew, extend, modify, supplement or otherwise change the terms of any or all the Agreements or any part thereof; (ii) take and hold security for the payment of this Guaranty or any or all of the Liabilities, and exchange, enforce, waive and release any such security; and (iii) apply such security and direct the order or manner of sale of any collateral provided as such security as Transmission Provider (or any other person) in its sole discretion may determine. The obligations and liabilities of Guarantor hereunder shall be absolute and unconditional, shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim Guarantor may have against Company, any other Guarantor, or any other person or entity, and shall remain in full force and effect until all of the obligations of Guarantor hereunder and all of the Liabilities, including all obligations of Company under each of the Agreements, have been fully and irrevocably satisfied, without regard to, or release or discharge by, any event, circumstance or condition (whether or not Guarantor shall have knowledge or notice thereof) which might constitute a legal or equitable defense or discharge of a Guarantor or surety or which might in any way limit recourse against Guarantor, including without limitation: (i) any renewal, amendment or modification of, or supplement to, the terms of any or all of the Agreements; (ii) any waiver, consent or indulgence by Transmission Provider (or any other person), or any exercise or non-exercise by Transmission Provider (or any other person) of any right, power or remedy, under or in respect of this Guaranty or any of or all the Agreements

(whether or not Guarantor or Company has or have notice or knowledge of any such action or inaction); (iii) the invalidity or unenforceability, in whole or in part, of any or all of the Agreements, or the termination, cancellation or frustration of any thereof, or any limitation or cessation of Company's liability under any thereof (other than any limitation or cessation expressly provided for therein), including without limitation any invalidity, unenforceability or impaired liability resulting from Company's lack of capacity, power and/or authority to enter into any or all of the Agreements and/or to incur any or all of the obligations thereunder, or from the execution and delivery of any or all of the Agreements by any person acting for Company without or in excess of authority; (iv) any actual, purported or attempted sale, assignment or other transfer by Transmission Provider (or any other person) of any or all of the Agreements or of any or all of its rights, interests or obligations thereunder; (v) the taking or holding by Transmission Provider of a security interest, lien or other encumbrance in or on any property as security for any or all of the Liabilities, including any or all of the obligations of Company under any or all of the Agreements, the posting of a cash deposit, letter of credit, performance bond or other financial accommodation, or any exchange, release, non-perfection, loss or alteration of, or any other dealing with, any such security; (vi) the addition of any party as a guarantor or surety of all or any part of the Liabilities, including obligations of Company under any or all of the Agreements; (vii) any merger, amalgamation or consolidation of Company into or with any other entity, or any sale, lease, transfer or other disposition of any or all of Company's assets or any sale, transfer or other disposition of any or all of the shares of capital stock or other securities of Company to any other person or entity; or (viii) any change in the financial condition of Company or (as applicable) of any subsidiary, affiliate, partner or controlling shareholder thereof, or Company's entry into an assignment for the benefit of creditors, an arrangement or any other Agreement or procedure for the restructuring of its liabilities, or Company's insolvency, bankruptcy, reorganization, dissolution, liquidation or any similar action by or occurrence with respect to Company.

6. Guarantor waives any right to require Transmission Provider (or any other person) to (i) proceed against Company; (ii) proceed against or exhaust any security held from Company; or (iii) pursue any other remedy whatsoever. So long as any obligations remain outstanding under this Guaranty or any of the Agreements, Guarantor shall not exercise any rights against Company arising as a result of payment by Guarantor hereunder, by way of subrogation or otherwise, and will not prove any claim in competition with Transmission Provider (or any other party to any of the Agreements) in respect of any payment under the Agreements in bankruptcy or insolvency proceedings of any nature. Guarantor will not claim any set-off or counterclaim against Company in respect of any liability of Guarantor to Company and Guarantor waives any benefit of any right to participate in any collateral which may be held by Transmission Provider (or any other party to any of the Agreements or holding any security for any of the Liabilities).

7. If after receipt of any payment of, or the proceeds of any collateral for, all or any part of the Liabilities, the surrender of such payment or proceeds is compelled or volunteered to any person because such payment or application of proceeds is or may be avoided, invalidated, recaptured, or set aside as a preference, fraudulent conveyance, impermissible set -off or for any other reason, whether or not such surrender is the result of: (i) any judgment, decree or order of any court or administrative body having jurisdiction, or (ii) any settlement or compromise of any claim as to any of the foregoing with any person (including Company), then the Liabilities, or part thereof affected, shall be reinstated and continue and this Guaranty shall be reinstated and continue in full force as to such Liabilities or part thereof as if such payment or proceeds had not been received, notwithstanding any previous cancellation of any instrument evidencing any such Liabilities or any previous instrument delivered to evidence the satisfaction thereof. The provisions of this Section shall survive the termination of this Guaranty and any satisfaction and discharge of Company by virtue of any payment, court order or any Federal, state or local law.

8. Any indebtedness of Company now or hereafter held by Guarantor is hereby subordinated to the Liabilities and any indebtedness of Company under any of the Agreements; and such indebtedness of Company to Guarantor shall be collected, enforced and received by Guarantor as trustee for Transmission Provider and be paid over to Transmission Provider on account of the Liabilities but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

9. Guarantor represents and warrants to Transmission Provider, as an inducement to Transmission Provider to make the credit advances to Company, that: (i) the execution, delivery and performance by Guarantor of this Guaranty (a) are within Guarantor's powers and have been duly authorized by all necessary action; (b) do not contravene Guarantor's charter documents or any law or any contractual restrictions binding on or affecting Guarantor or by which Guarantor's property may be affected; and (c) do not require any authorization or approval or other action by, or any notice to or filing with, any public authority or any other person except such as have been obtained or made; (ii) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally and by general principles of equity; (iii) Company is a wholly owned subsidiary of Guarantor; and (iv) there is no action, suit or proceeding affecting Guarantor pending or threatened before any court, arbitrator, or public authority that may materially adversely affect Guarantor's ability to perform its obligations under this Guaranty.

10. The Guarantor must submit any and all documents that the Guarantor would be required to submit under Transmission Provider's Credit Policy (as may be amended from time to time) if the Guarantor applied for and/or obtained credit under such Credit Policy, including, without limitation, (i) at least annually a current bond/debt rating report for senior unsecured debt of the Guarantor and an issuer rating issued by Moody's Investor Services or Standard & Poor's, promptly upon its issuance, and (ii) financial reports of the Guarantor promptly upon their issuance including, without limitation, annual audited financial statements prepared in accordance with generally accepted accounting principles, with auditor notes and auditor's report, to be delivered no later than one hundred twenty (120) days after the end of each fiscal year of the Guarantor and internally prepared quarterly financial statements prepared in accordance with generally accepted accounting principles, no later than sixty (60) days after the end of each fiscal quarter of the Guarantor. Further, Guarantor must inform Transmission Provider in writing within five (5) Business Days of any Material Change (as defined in the Transmission Provider's Credit Policy, as may be amended from time to time) in its financial status. In addition to any other remedies available at law or in equity, a Guarantor's failure to provide this information may result in proceedings by Transmission Provider to terminate the Agreements with the Company.

11. Guarantor agrees to pay on demand reasonable attorneys' fees and all other costs and expenses which Transmission Provider, and any ITCs (as defined in the Tariff), their affiliates, representatives, successors and assigns may incur in the enforcement of this Guaranty. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without Transmission Provider's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective. This Guaranty embodies the entire Agreement among the parties hereto with respect to the matters set forth herein, and supersedes all prior Agreements among the parties with respect to the matters set forth herein. No course of prior dealing among the parties, no usage of trade, and no parole or extrinsic evidence of any nature shall be used to supplement, modify or vary any of the terms hereof. There are no conditions to the full effectiveness of this Guaranty. Transmission Provider may assign this Guaranty, and its rights hereunder in whole or in part, without consent and without in any way affecting Guarantor's liability under it. This Guaranty shall inure to the benefit of Guarantor, Transmission Provider, Company, the ITCs and their successors and assigns. Guarantor may not assign this Guaranty without Transmission Provider's consent. This Guaranty is in addition to the guaranties of any other guarantors and any and all other guaranties of any of the Liabilities, including Company's indebtedness or obligations under any or all of the Agreements.

12. This Guaranty shall be governed by the laws of the State of Indiana, without regard to conflicts of law principles. Guarantor hereby irrevocably submits to the jurisdiction of any Indiana or United States Federal court sitting in Indiana over any action or proceeding arising out of or relating to this Guaranty or any of the Agreements, and Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Indiana state or federal court. Guarantor irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Guarantor at its address set forth herein. Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Guarantor further waives any objection to venue in Indiana and any objection to an action or proceeding in such State on the basis of forum non-conveniens. Guarantor further agrees that any action or proceeding brought against Transmission Provider shall be brought only in Indiana or the United States Federal courts sitting in Indiana. Nothing herein shall affect the right of Transmission Provider to bring any action or proceeding against the Guarantor or its property in the courts of any other jurisdictions.
- i. Payments. All payments by Guarantor under this Guaranty shall be made (a) in U.S. dollars to such account in the United States as Transmission Provider may from time to time designate to Guarantor and (b) free and clear of, and without deduction or withholding for or on account of any present or future income, stamp other taxes or levies, imposts, duties, charges, fees, deductions or withholdings now or hereafter imposed, levied, collected, withheld or assessed by an governmental authority (collectively "Taxes"). If any Taxes are required to be withheld from any amounts payable by Guarantor under this Guaranty, the amounts payable shall be increased to the extent necessary to provide the full amount (after payment of all Taxes) owing by Guarantor under this Guaranty.
14. Judgment Currency. The obligations of Guarantor under this Guaranty shall, notwithstanding judgment in a currency other than U.S. dollars (the "Judgment Currency"), be discharged only to the extent that, on any day following receipt by Transmission Provider of any sum adjudged to be due in the Judgment Currency, Transmission Provider may in accordance with normal banking procedures purchase U.S. dollars with the Judgment Currency. If the amount of U.S. dollars so purchased is less than the sum originally due to the Transmission Provider in U.S. dollars, Guarantor agrees, as a separate obligation and notwithstanding such judgment, to indemnify the Transmission Provider against such loss.

15. GUARANTOR ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS GUARANTY AND THAT IT MAKES THE FOLLOWING WAIVER KNOWINGLY AND VOLUNTARILY. GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY COURT AND IN ANY SUIT, ACTION OR PROCEEDING OR ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS GUARANTY, THE AGREEMENTS OR ANY DOCUMENTS RELATED THERETO (INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS) AND THE ENFORCEMENT OF ANY OF COMPANY'S RIGHTS AND REMEDIES.

16. GUARANTOR HEREBY KNOWINGLY AND VOLUNTARILY AGREES THAT THE RESOLUTION OF ANY DISPUTE THAT ARISES UNDER THIS GUARANTY SHALL NOT BE SUBJECT TO THE DISPUTE RESOLUTION PROCEDURES SET FORTH IN THE TARIFF AND WAIVES ANY RIGHTS TO THE CONTRARY.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty as of this ___ day of _____, _____.

[GUARANTOR] Tax I.D. No. _____
By: _____
Print Name: _____
Title: _____
(Officer of the Corporation)
Address: _____

CONTINUED, EXHIBIT I – FOREIGN GUARANTEE

SECRETARY'S CERTIFICATE OF DIRECTORS' RESOLUTIONS

I, _____, do hereby certify that I am the Secretary of _____, a _____ corporation; that I am the keeper of the corporate records and the seal of said Corporation; that the foregoing is true and correct copy of resolutions duly adopted and ratified by the Board of Directors of said Corporation in accordance with its bylaws and the laws of the said State on the _____ day of _____, _____ as compared by me with the original of said resolutions recorded in the minutes of said Corporation which resolutions authorize the Corporation to execute that certain Unconditional Corporate Guaranty in consideration for, among other things, the credit advance of the Midwest Independent Transmission System Operator, Inc. to _____; and the same have not in any way been modified, repealed or rescinded but are in full force and effect; that the foregoing resolutions are not inconsistent with the Certificate of Incorporation and the bylaws of this Corporation.

WITNESS, my hand and the seal of said corporation this _____ day of _____, _____.

Secretary

[CORPORATE SEAL]

CONTINUED, EXHIBIT I- FOREIGN GUARANTEE

RESOLUTION TO THE BOARD OF DIRECTORS

WHEREAS, _____ (the “Subsidiary”) desires to become and/or remain a Transmission Customer or Market Participant under the Open Access Transmission, Energy and Operating Reserve Markets Tariff (the “Tariff”) of the Midwest Independent Transmission System Operator, Inc. (the “Company”) and for the Company to make credit advances to the Subsidiary; and

WHEREAS, this Corporation deems it to be in its direct benefit and in its best interests to guaranty all present and future obligations of the Subsidiary under the Tariff and certain other agreements as an inducement to the Company to allow the Subsidiary to become or remain a Transmission Customer and/or Market Participant under the Tariff and to provide credit advances to the Subsidiary;

NOW THEREFORE, it is hereby:

RESOLVED, that the Board of Directors of this Corporation hereby approves the guaranty of obligations of the Subsidiary by this Corporation substantially as set forth in the Corporate Guaranty attached to these Resolutions as Exhibit A; and it is further

RESOLVED, that the officers and agents of this Corporation are hereby authorized, directed and empowered to make, execute and deliver, either jointly or individually, for and on behalf of and in the name of this Corporation, a guaranty with respect to the obligations of the Subsidiary under the Tariff and certain other agreements and any and all amendments, supplements and modifications thereto substantially in the form of the Corporate Guaranty attached to these Resolutions as Exhibit A; and it is further

RESOLVED, that said officers and agents, and each of them, are hereby authorized, directed and empowered, either jointly or individually, to execute and deliver any and all instruments, papers and documents and to do all other acts that each of them may deem convenient or proper to effectuate the purpose and intent of these Resolutions from time to time or otherwise; and it is further

RESOLVED, that all action heretofore taken and all documentation heretofore delivered by any of said officers and agents, or by any individual who currently holds or has held any of said offices, in furtherance of the foregoing is hereby ratified, adopted, approved and confirmed and declared to be binding and enforceable obligations of this Corporation in accordance with the respective terms and provisions hereof, and it is further

RESOLVED, that the authorization herein set forth shall remain in full force and effect until written notice of their modification or discontinuance shall be given to and actually received by the Company, but no such modification or discontinuance shall affect the validity of the acts of any person, authorized to so act by these resolutions performed prior to the receipt of such notice by the Company.

[RESERVED FOR FUTURE USE]

EXHIBIT II

IRREVOCABLE LETTER OF CREDIT

Irrevocable Standby Letter of Credit No. _____

Issued: [Date]

Expires at our counter (unless evergreen): [Date]

Midwest Independent Transmission System Operator, Inc.

P.O. Box 4202

Carmel, IN 46082-4202

Attn: Manager, Credit Risk & Customer Registration

for overnight delivery:

720 City Center Drive

Carmel, IN 46032

Attn: Manager, Credit Risk & Customer Registration

Ladies and Gentlemen:

We, _____ [Fill in name of Bank] _____ (“Issuer”) do hereby issue this Irrevocable Non-Transferable Standby Letter of Credit No. _____ by order of, for the account of and on behalf of _____ (“Account Party”) and in favor of the Midwest Independent Transmission System Operator, Inc. (“Beneficiary” or “Transmission Provider”). The term “Beneficiary” includes any successor by operation of law of the named beneficiary including without limitation any liquidator, receiver or conservator.

This Letter of Credit is issued, presentable and payable and we guaranty to the drawers, endorsers and bona fide holders of this Letter of Credit that drafts under and in compliance with the terms of this Letter of Credit will be honored on presentation and surrender of certain documents pursuant to the terms of this Letter of Credit.

This Letter of Credit is available in one or more drafts and may be drawn hereunder for the account of _____ up to an aggregate amount not exceeding \$ _____ .00 (United States Dollars _____ and 00/100).

This Letter of Credit is drawn against by presentation to us at our office located at _____ of a drawing certificate: (i) signed by an officer or authorized agent of the Beneficiary; (ii) dated the date of presentation; and (iii) containing one (1) of the following statements:

1. “The undersigned hereby certifies to _____ (“Issuer”), with reference to its Irrevocable Non-Transferable Standby Letter of Credit No. _____, dated _____, issued on behalf of _____ (“Account Party”) and in favor of the Midwest Independent Transmission System Operator, Inc. (“Beneficiary”) that said Account Party has failed to make a payment in accordance with the terms and provisions of one or more of the following, as applicable: Transmission Provider’s Transmission, Energy and Operating Reserve Markets Tariff, as may be amended and supplemented from time to time, together with all replacements and substitutes (the “Tariff”), any and all agreements entered into by Account Party under, pursuant to, or in connection with the Tariff and any and all agreements to which Account Party and Transmission Provider are parties, as such agreements may be amended and supplemented from time to time, whether now or hereafter executed, and any replacements or substitutions thereof, (collectively, the “Agreements”). The Beneficiary hereby draws upon the Letter of Credit in an amount equal to \$ _____ (United States Dollars _____ and 00/100)”; or
2. “As of the close of business on _____, 20__ (fill in date which is less than one hundred- ten (110) days before the expiration date of the Letter of Credit), Account Party has failed to renew, replace or amend the Letter of Credit in a manner acceptable to Beneficiary”; or

3. "As of the close of business on _____, 20__ (fill in date which is more than ten (10) Business Days after the Beneficiary has requested that Account Party replace the Letter of Credit because the Issuer's corporate debt is rated less than "A-" by S&P, "A3" by Moody's, "A-" by Duff & Phelps, or "A-" by Fitch or an equivalent short-term debt rating), Account Party has failed to replace the Letter of Credit in a manner acceptable to Beneficiary."

Beneficiary shall have the right, in the event of a draw pursuant to subparagraph (2) or (3) of the immediately preceding paragraph, to draw down the entire face value of the Letter of Credit.

If presentation of any drawing certificate is made on a Business Day and such presentation is made on or before 10:00 a.m. _____ Time, Issuer shall satisfy such drawing request on the same Business Day. If the drawing certificate is received after 10:00 a.m. _____ Time, Issuer will satisfy such drawing request on the next Business Day.

It is a condition of this Letter of Credit that it will be automatically extended without amendment for one (1) year from the expiration date hereof, or any future expiration date, unless at least one hundred twenty (120) days prior to any expiration date we notify you at the above address by registered mail that we elect not to consider this Letter of Credit renewed for any such period.

In connection with any draw on this Letter of Credit, if you have not received from us within five (5) calendar days from the date of your draw, a notice from us in the form of the certificate attached hereto as Exhibit A appropriately completed, indicating we have not reinstated the Letter of Credit for all amounts drawn on this Letter of Credit, your right to draw on us for the full face amount of this Letter of Credit shall be automatically reinstated and this automatic reinstatement of your right to make a draw for the full face amount of this Letter of Credit shall be applicable to successive draws so long as this Letter of Credit shall have not terminated as set forth herein.

This Letter of Credit may be terminated upon Beneficiary's irrevocable receipt of full payment from the Account Party of all amounts due from Account Party under the Tariff and each of the Agreements, Account Party ceasing to be a Market Participant and/or Transmission Customer under the Tariff and Issuer's receipt of a written release from the Beneficiary releasing the Issuer from its obligations under this Letter of Credit.

Disbursements under the Letter of Credit shall be in accordance with the following terms and conditions:

1. The amount, which may be drawn by the Beneficiary under this Letter of Credit, shall be automatically reinstated by the amount of any drawings hereunder unless Issuer timely delivers the Certificate of Non Reinstatement of Amounts Available under the Irrevocable Standby Letter of Credit attached as Exhibit A hereto as provided above.
2. All commissions and charges will be borne by the Account Party.
3. This Letter of Credit may not be transferred or assigned by the Issuer.
4. This Letter of Credit is irrevocable.
5. This Letter of Credit shall be governed by the International Standby Practices Publication No. 590 of the International Chamber of Commerce, including any amendments, modifications or revisions thereof (the "ISP"), except to the extent that terms hereof are inconsistent with the provisions of the ISP, in which case the terms of the Letter of Credit shall govern. This Letter of Credit shall be governed by the internal laws of the State of Indiana to the extent that the terms of the ISP are not applicable; provided that, in the event of any conflict between the ISP and such Indiana laws, the ISP shall control.

6. This Letter of Credit may not be amended, changed or modified without the express written consent of the Beneficiary and the Issuer.
7. The Beneficiary shall not be deemed to have waived any rights under this Letter of Credit, unless the Beneficiary or an authorized agent of the Beneficiary shall have signed a written waiver.

No such waiver, unless expressly so stated therein, shall be effective as to any transaction that occurs subsequent to the date of the waiver, nor as to any continuance of a breach after the waiver.

8. A failure to make any partial drawings at any time shall not impair or reduce the availability of this Letter of Credit in any subsequent period or our obligation to honor your subsequent demands for payment made in accordance with the terms of this Letter of Credit.

[Authorized Signature]

[Date]

Name:

Title: _____

CONTINUED, EXHIBIT II- IRREVOCABLE LETTER OF CREDIT

**CERTIFICATE OF NONREINSTATEMENT
OF AMOUNTS AVAILABLE UNDER IRREVOCABLE
LETTER OF CREDIT NO. _____**

The undersigned, a duly authorized officer of _____ (the “Bank”), hereby certifies to Midwest Independent Transmission System Operator, Inc. (“Transmission Provider”) with reference to Bank’s Irrevocable Letter of Credit No. _____ (the “Letter of Credit”) issued by the Bank in favor of Transmission Provider that the amount drawn by Transmission Provider pursuant to its most recent drawing dated as of _____ has not been reinstated either (a) because the Bank has not been reimbursed for such drawing, or (b) a Default has occurred under the Reimbursement and Pledge Agreement dated as of _____, 20____, between the Bank and the Account Party, as defined in the Letter of Credit, and is continuing.

Except as herein expressly set forth, all other terms and conditions of the Letter of Credit remain unchanged.

IN WITNESS WHEREOF, the Bank has executed and delivered this certificate this ____ day of _____, _____.

[Name of Bank]: _____

By: _____

Its: _____

EXHIBIT III

CASH COLLATERAL AGREEMENT

_____ (NERC) _____ (“Tariff Customer”) has agreed to deliver cash collateral to the Midwest Independent Transmission System Operator, Inc. (“Transmission Provider”) to secure Tariff Customer’s performance under the terms and conditions of the Transmission Provider’s Transmission, Energy and Operating Reserve Markets Tariff on file with the Federal Energy Regulatory Commission, as may be amended and supplemented from time to time, together with all replacements and substitutes (the “Tariff”), any and all agreements entered into by Tariff Customer under, pursuant to, or in connection with the Tariff and any and all agreements to which the Tariff Customer and Transmission Provider are parties, as such Tariff and agreements may be amended from time to time, whether now or hereafter executed (the “Agreements”), together with costs of enforcement and collection, including attorneys’ fees (collectively, the “Liabilities”). The Agreements include, without limitation, the Tariff, agreements with Transmission Provider related to the purchase and/or sale of electric capacity, energy, ancillary services and related products or services, each as amended from time to time, between Tariff Customer and Transmission Provider.

Tariff Customer agrees to deliver to Transmission Provider cash collateral (the “INITIAL MARGIN”) by wire transfer to a segregated account designated by Transmission Provider in a written notice to Tariff Customer. Such account (the “Account”) shall be with a Qualified Institution (the “Custodian”) and registered in the name of Transmission Provider for the benefit of Tariff Customer. Transmission Provider shall have complete and total control over the Account and the Margin, provided that the Tariff Customer has certain contract rights to the Margin as provided under the Tariff and/or this Agreement. Qualified Institution means a commercial bank or trust company organized under the law of the United States or a political subdivision thereof, with a Credit Rating of at least “A-” by S&P or “A3” in the case of Moody’s. The INITIAL MARGIN, together with any additional amounts deposited by or at the direction of Tariff Customer in the Account and any and all interest, shall be referred to herein as the “MARGIN”. Transmission Provider agrees that Tariff Customer shall earn interest on the MARGIN at the Transmission Provider’s overnight bank rate from and including the date of deposit to, but excluding, the date such MARGIN is returned (or applied as described below). Interest shall be deposited and held in the Account and may be used upon the occurrence of a Default (as defined in the Tariff) to satisfy the obligations of Tariff Customer. Any unpaid interest earned and not applied to amounts owed by Tariff Customer shall be released and paid to Tariff Customer quarterly subject to the terms and conditions of Section 7.18 of the Tariff and provided that no Default shall exist and be continuing.

To secure its obligations under this Cash Collateral Agreement and the other Liabilities, the Tariff Customer hereby grants to Transmission Provider a present and continuing first-priority security interest in, and lien on and right of offset against, all of the undersigned’s right, title, and interest in the ACCOUNT and the MARGIN (including all interest thereon), including all products and proceeds of the foregoing, any and all renewals, extensions, replacements, modifications, additions, and substitutions of the foregoing, and all rights, remedies, claims and demands under or in connection with the foregoing (the “Collateral”). Tariff Customer agrees to take such action as Transmission Provider reasonably requires in order to perfect Transmission Provider’s first-priority continuing security interest in, and lien on and right of offset against the COLLATERAL, including, without limitation entering into a control agreement, in form and substance acceptable to Transmission Provider to give Transmission Provider control of the COLLATERAL.

Transmission Provider agrees that it shall not have the right to sell, pledge, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business the COLLATERAL unless and until a Default has occurred, provided that Transmission Provider shall have all the rights of a secured party as contemplated by the UCC. Transmission Provider further agrees that it shall be entitled to apply any portion or all of the COLLATERAL to satisfy any of the Liabilities, including any outstanding payment obligation of Tariff Customer under any of the Agreements only if a Default, as defined in the Tariff, with respect to Tariff Customer has occurred and is continuing. In such event, Transmission Provider may do any one or more of the following: (a) exercise any of the rights and remedies of a secured party with respect to the COLLATERAL, including any such rights and remedies under law then in effect; and/or (b) exercise its rights of setoff against any and all of the COLLATERAL, including interest accrued and not yet paid to Tariff Customer. In addition to other rights available to Transmission Provider, Transmission Provider shall have the right, upon realizing on the COLLATERAL to (x) apply the COLLATERAL to reduce Tariff Customer's obligations under the Tariff, this Cash Collateral Agreement and/or any other Agreements and/or or (y) hold the proceeds as collateral security for Tariff Customer's obligations under the Tariff, the Credit and Security Agreement, this Cash Collateral Agreement and/or the other Agreements.

If additional cash collateral is required by the Credit Policy or Transmission Provider and Tariff Customer agrees to add additional cash collateral, then such cash collateral shall be added to the existing MARGIN under this Cash Collateral Agreement and the security interest granted under this Agreement shall attach to such additional cash collateral. The revised total amount of MARGIN received by the Transmission Provider shall be documented in the form of an amendment to this Cash Collateral Agreement.

Tariff Customer hereby constitutes and appoints Transmission Provider, through any of its officers, as its true and lawful attorney-in-fact, with full power of substitution and authority in the place and stead of Tariff Customer and in the name of Tariff Customer or in its own name, from time to time, for the purpose of carrying out the terms of this Agreement from and after the occurrence of a Default, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement. Such power of attorney is coupled with an interest and shall be irrevocable until such time as all of the Liabilities, including Tariff Customer's obligations under the Tariff and the other Agreements, are fully and finally and irrevocably paid and performed, all of the Agreements (other than the Tariff and this Cash Collateral Agreement) have terminated and Tariff Customer is no longer a Market Participant and/or Transmission Customer (as such terms are defined in the Tariff). Tariff Customer hereby ratifies and approves all acts of such attorneys. Neither Transmission Provider nor any attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law, absent gross negligence, bad faith or willful misconduct and subject to the limitations on liability set forth in the Tariff.

Until such time as Transmission Provider exercises its remedies hereunder, all income, earnings and profits with respect to the ACCOUNT (and all COLLATERAL) shall be reported for state and federal income tax purposes as attributable to Tariff Customer and not Transmission Provider; and Tariff Customer hereby instructs Transmission Provider (and any other person authorized to report taxable income distributions) to issue, or cause to be issued, IRS Form 1099 indicating Tariff Customer as the recipient of such income, earnings and profits.

Subject to the approval of Transmission Provider, Tariff Customer may substitute any portion of the MARGIN deposited hereunder with a letter of credit issued by a Qualified Institution in form and substance acceptable to Transmission Provider or other form of collateral acceptable to Transmission Provider, in Transmission Provider's sole discretion.

Within one hundred twenty (120) days after the last to occur of (i) the termination of all of the Agreements (other than the Tariff and this Cash Collateral Agreement); (ii) the irrevocable payment and satisfaction of all obligations of Tariff Customer under all Agreements (including the Tariff), and (iii) the Participant ceasing to be a Market Participant and/or Transmission Customer under the Tariff, Transmission Provider shall return any remaining MARGIN to Tariff Customer.

Please acknowledge your agreement to the terms hereof by signing the acknowledgement set forth below.

Very truly yours,

[Company Name]

By: _____

Name:

Title:

ACKNOWLEDGED AND AGREED:

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

By: _____

Name:

Title:

EXHIBIT IV
SECURITY INTEREST AGREEMENT

All rights and obligations as defined in the Open Access Transmission, Energy and Operating Reserve Markets Tariff of the Midwest Independent Transmission System Operator, Inc. (“Tariff”) and described in this Security Agreement (both are available at www.midwestiso.org) are subject to change.

THIS SECURITY AGREEMENT (“**Security Agreement**”) is made as of the ___ day of _____, 20__, by _____, a(n) _____, having its chief executive offices at _____, _____, _____ and with a taxpayer ID number of _____ (the “**Company**”), in favor of MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC. , a Delaware non-profit, non-stock corporation, having a notice address of 720 City Center Drive, Carmel, Indiana 46032 (the “**Transmission Provider**”).

Recitals

WHEREAS, Transmission Provider administers that certain Open Access Transmission, Energy and Operating Reserve Markets Tariff on file with the Federal Energy Regulatory Commission (“FERC”), including but not limited to, any other applicable FERC-accepted tariff or rate schedule, as the same may be amended and supplemented from time to time and together with all replacements and substitutes thereto (collectively, the “Tariff”);

WHEREAS, Transmission Provider maintains a Credit Policy (which is Attachment L to the Tariff, as the same may be amended from time to time in accordance with applicable law) in order to determine, on a case by case basis, the level of unsecured credit available to each person who takes services under the Tariff and the form and amount of financial assurance to be required by each person, if any;

WHEREAS, Company has requested that Transmission Provider net the invoiced and measured Settlements owed to Company against invoiced, measured and estimated Settlements owed by Company to Transmission Provider in order to reduce the amount of Financial Security provided by, or on behalf of, Company; and

WHEREAS, as a condition precedent to Transmission Provider’s agreement to net amounts owed to, and by, Company, and to secure the full and prompt repayment of all of the Liabilities (as hereinafter defined), Company is required to, and shall, grant a continuing first priority security interest in, and to, the Collateral (as hereinafter defined).

NOW, THEREFORE, in consideration the representations, warranties and covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Transmission Provider hereby agree to, and accept, all of the following:

(1) The “Liabilities” as that term is used in this Security Agreement means all of the payment obligations (including, without limitation, reasonable attorneys’ fees) of the Company in favor of the Transmission Provider or any ITC (as defined in the Tariff) (whether for the Transmission Provider’s or ITC’s own account or for the account of any other person) under the Tariff and/or any and all agreements entered into, under, pursuant to, or in connection with the Tariff (including, without limitation, the Transmission Provider’s Credit Policy) and any and all other agreements to which Transmission Provider and the Company are parties (collectively, the “Agreements”).

(2) As security for the payment and performance of all of the obligations of the Company under the Tariff and/or the Agreements (including, without limitation, all costs to enforce the obligations of the Company and collect all amounts owed by the Company thereunder or hereunder, including reasonable attorneys’ fees), Transmission Provider shall have, and the Company hereby pledges, assigns, conveys and transfers to Transmission Provider, and hereby grants to Transmission Provider a present and continuing first priority security interest in and to, and a general first lien upon and right of setoff against, all right, title and interest in any and all accounts receivable and other rights of payment of the Company for goods and services provided under, or otherwise arising under, pursuant to or in connection with, the Tariff and/or any of the Agreements and any other similar rights of the Company arising under, or in connection with, the Tariff and/or any of the Agreements, however created or evidenced, whether now existing or hereafter owned, acquired, created, used or arising, including all products and proceeds of the foregoing, any and all renewals, extensions, replacements, modifications, additions, and substitutions of the foregoing and all rights, remedies, claims and demands under or in connection with each of the foregoing (the “Collateral”).

(3) The Company hereby represents and warrants to Transmission Provider that: all Collateral is lawfully owned by the Company, free and clear of any prior security interest, pledge, sale, assignment, transfer or other encumbrance other than any recoupment, setoff or other rights of Transmission Provider in and to such Collateral; the Company has the unencumbered right to pledge, sell, assign or transfer the Collateral subject to any recoupment, setoff or other right of Transmission Provider in and to such Collateral and subject to the security interest granted in favor of Transmission Provider herein; no financing statement covering all or a portion of the Collateral is on file in any public office other than in favor of Transmission Provider; and the security interest herein constitutes a legal and valid, first priority security interest in the Collateral.

(4) The Company represents and warrants to Transmission Provider that the exact corporate name of the Company is correctly stated in the preamble to this Security Agreement and the Company is organized and validly existing under the laws of the State of _____. The Company has provided Transmission Provider with a true, accurate and complete list of all previous legal names of the Company (and its predecessors) and all past and present assumed (or fictitious) names and trade names of the Company (and its predecessors) for the past six (6) years. The Company's chief executive office and taxpayer identification number are accurately set forth in the preamble to this Security Agreement. Company shall provide a certificate of existence (or good standing, as the case may be) from the Secretary of State of the state in which Company was organized, such certificate to be dated within ten (10) days of the date of this Security Agreement.

(5) All Collateral held or controlled by the Transmission Provider after the date of this Security Agreement shall be free of any lien, security interest or encumbrance, granted or arising by, through or under the Company except for liens, security interests or encumbrances in favor of Transmission Provider, and the Company agrees not to grant any security interest or permit any lien or encumbrance to arise by, through or under the Company in any of the Collateral except for security interests, liens and encumbrances in favor of Transmission Provider without the prior written consent of Transmission Provider.

(6) The Company shall provide prior written notice of any change in its jurisdiction of organization, which notice must be received at least thirty (30) days before such change becomes effective.

(7) Upon the Transmission Provider's request, the Company agrees to do such reasonable acts and things and deliver or cause to be delivered such other documents as Transmission Provider may reasonably deem necessary to establish and maintain a valid first priority perfected security interest in the Collateral (free of all other liens and claims except those of Transmission Provider) to secure the payment and performance of the Liabilities, and to defend title to the Collateral against any person claiming any interest therein adverse to Transmission Provider (unless such adverse interest arises by, through or under the Transmission Provider). The Company authorizes Transmission Provider to file a financing statement or statements in those public offices deemed advisable or necessary by Transmission Provider to protect the security interest herein granted by the Company. If permitted by law, the Company agrees that a carbon, photographic or other reproduction of this Security Agreement or of a financing statement may be filed as a financing statement.

(8) The Company agrees that all checks and other instruments received by Transmission Provider after the occurrence and during the continuance of any Default (as that term is defined in the Tariff) as products or proceeds of Collateral will be credited upon receipt to the Liabilities by the Transmission Provider in an order and manner consistent with the Tariff, subject to final payment.

(9) Subject to the Tariff, if a Default occurs and is continuing, Transmission Provider shall have all rights and remedies available at law or in equity including, without limitation, the rights and remedies of a secured party under the Indiana Uniform Commercial Code, as in effect from time to time, including, without limitation, the right to take possession of the Collateral. Subject to the Tariff, Transmission Provider may in its discretion transfer any property constituting Collateral into its own name or that of its nominee, and receive the income thereon and hold such income as security for the Liabilities or apply it on amounts due on Liabilities. Any and all deposit accounts, deposits or other sums at any time credited by or due from Transmission Provider to the Company shall at all times constitute security for any and all Liabilities, and Transmission Provider may apply or set off such deposits or other sums against Liabilities at any time in Default (or as otherwise permitted by the Tariff) whether or not the Liabilities are then due or other collateral is considered by Transmission Provider to be adequate.

(10) To the extent permitted by applicable law and for the sole purpose of exercising the Transmission Provider's rights under this Security Agreement from and during the occurrence of a Default, the Company hereby constitutes and appoints Transmission Provider, through any of its officers, as its true and lawful attorney-in-fact, with full power of substitution and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to exercise the Transmission Provider's rights under this Security Agreement from and during the occurrence of a Default. To the extent permitted by applicable law, such power of attorney is coupled with an interest and shall be irrevocable until such time as all of the Liabilities are fully and finally and irrevocably paid and performed. To the extent permitted by applicable law, the Company hereby ratifies and approves all acts of such attorneys that are taken within the authority granted to such attorneys pursuant to this Security Agreement and in a manner consistent with this Security Agreement and the Tariff; provided, however, this sentence shall not be deemed to be a waiver of any rights of the Company under this Security Agreement, any other agreement or the Tariff with respect to any breach of this Security Agreement by the Transmission Provider. Neither Transmission Provider nor any attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law, absent gross negligence or intentional misconduct and subject to the limitations on liability set forth in the Tariff.

(11) Until such time as Transmission Provider exercises its remedies upon a Default, all income, earnings and profits with respect to the Collateral are property of the Company and shall be reported for state and federal income tax purposes as attributable to the Company and not Transmission Provider; and the Company hereby instructs Transmission Provider (and any other person authorized to report taxable income distributions) to issue, or cause to be issued, as legally required, IRS Form 1099 indicating the Company as the recipient of such income, earnings and profits.

(12) Whenever possible, each provision of this Security Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. The Company recognizes that Transmission Provider has relied on this Security Agreement in extending credit to the Company and agrees that such reliance by Transmission Provider shall be sufficient consideration for this Security Agreement.

(13) To the extent there is any conflict between this Security Agreement, as it may be amended, and the Tariff (including, without limitation, the Credit Policy), the Tariff controls. The Collateral shall be held in accordance with Section 7.12 of the Tariff, as such Section may be amended from time to time.

(14) The Company maintains any and all rights under Section 206 of the Federal Power Act it may have with regard to this Security Agreement or its implementation.

(15) This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the Uniform Commercial Code and other applicable laws of the State of Indiana, without regard to conflict of law principles. Capitalized terms used herein and not specifically herein defined shall have the meanings ascribed to them in the Tariff.

(16) The Company acknowledges receipt of a copy of the financing statement to be filed in the appropriate jurisdiction.

