

CREDIT MANUAL OF THE SOUTHERN COMPANIES WITH RESPECT TO SERVICE UNDER ITS OATT

POLICY STATEMENT

It is Transmission Provider's policy that any entity who applies/applied to take service ("Applicant") under the Open Access Transmission Tariff of Southern Companies ("OATT"), including, without limitation, point-to-point transmission service(s), network integration transmission service(s), interconnection service(s) and/or ancillary service(s) ("Service(s)"), or who is a Transmission Customer or otherwise receives or is eligible to receive Service(s) under the OATT and/or any related agreement(s) ("Customer") must satisfy and continue to satisfy Transmission Provider's creditworthiness requirements set forth or referenced in this Credit Manual as may be revised periodically and posted by Transmission Provider on OASIS (this "Credit Manual") and Transmission Provider's Attachment Q to the OATT (the "Attachment"; collectively with this Credit Manual, the "Credit Policy") in order to be eligible to receive and continue to receive Service(s) under the OATT and/or any related agreement(s). In the event of any express conflict between this Credit Manual and the Attachment, the terms of the Attachment shall control. To facilitate Transmission Provider's assessment of such creditworthiness, each Applicant and Customer must file with Transmission Provider a completed Application for Unsecured Credit Line in the form posted on OASIS as may be revised periodically (the "Application") as follows: Initially, each Applicant and Customer who is an Applicant or Customer as of the time of filing of the Attachment must file with Transmission Provider a completed Application not later than thirty (30) days after the latter to occur of (i) the filing of the Attachment and (ii) Transmission Provider's request, and each Applicant and Customer who becomes an Applicant or Customer after the filing of the Attachment must file a completed Application with Transmission Provider upon the first to occur of its becoming an Applicant or Customer or its filing any application for Service(s) under the OATT. Thereafter, each Applicant and Customer must file a completed Application with Transmission Provider as required in accordance with the Credit Policy, but, in any event, not less than annually. The goal of the Credit Policy is to ensure consistent and equitable treatment of all Applicants and Customers, minimize costs to Transmission Provider's customers, and minimize losses to Transmission Provider. Notwithstanding the provisions of the Credit Policy, Transmission Provider may waive the requirement that an Application and related information be provided or updated by an Applicant or Customer providing/maintaining an acceptable Irrevocable Letter of Credit who agrees that its Unsecured Credit Line (as described in Section II.B. below) is and shall be zero. Without limiting the foregoing, Transmission Provider may, in its discretion, waive any Credit Policy requirement by posting such waiver on OASIS and/or on a case-by-case basis.

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

APPLICABILITY

The Credit Policy applies to all Applicants who apply for and all Customers who take or desire to remain eligible to take Service(s) under the OATT and/or any related agreement(s).

IMPLEMENTATION

I. CREDIT EVALUATION

Each Applicant and Customer will be subject to a complete initial credit evaluation so that Transmission Provider may determine creditworthiness and establish an Unsecured Credit Line, if applicable. Upon completion of its initial credit evaluation, Transmission Provider may assign an Unsecured Credit Line and/or identify any necessary Eligible Collateral (as defined in Section VI below) requirements. In addition, Transmission Provider will perform ongoing credit evaluations on a periodic basis no less than annually and update the Unsecured Credit Line and/or Eligible Collateral requirements, as appropriate.

In the event that a Parent Guaranty (as defined in Section VI.B. below) is being utilized as Eligible Collateral for an Applicant or Customer, then the guarantor thereunder (the “Guarantor”) will be evaluated (and re-evaluated on at least an annual basis).

Each Unrated (as defined in Section I.A.2) below) Applicant and Customer will pay to Transmission Provider a non-refundable annual fee of \$750.00 for each entity whose credit is being evaluated/reevaluated (e.g., if Customer and a Guarantor are both evaluated, the fee will be \$1,500). Transmission Provider shall waive such fee for an Applicant or Customer providing/maintaining an acceptable Irrevocable Letter of Credit who agrees that its Unsecured Credit Line is and shall be zero.

A. Initial Credit Evaluation

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

1) Rating Agency Reports

In evaluating creditworthiness, Transmission Provider will review rating agency reports from Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), Moody’s Investors Service (“Moody’s”), and Fitch Ratings Ltd. (“Fitch”; collectively with S&P and Moody’s and/or their successors, the “Rating Agencies”). Transmission Provider’s review will be based on senior unsecured debt (or similar) ratings. However, if a senior unsecured debt (or similar) rating is unavailable, Transmission Provider will consider issuer (or similar) ratings. If a senior unsecured debt (or similar) rating or issuer (or similar) rating from any of the Rating Agencies (“Credit Rating”) is not available, Transmission Provider will evaluate creditworthiness based on financial statements and other information as described below. In the event the Applicant or Customer has multiple Credit Ratings from one Rating Agency or Credit Ratings from more than one Rating Agency, the lowest of those Credit Ratings will be used to determine such Applicant’s or Customer’s Unsecured Credit Line. Applicants or Customers who have a Credit Rating by any of the Rating Agencies will not be required to submit financial statements, and Transmission Provider may use such Credit Rating to determine the Unsecured Credit Line. Transmission Provider will not be required to independently assess quantitative or qualitative

factors for any entity with a Credit Rating as such Credit Rating includes a professional, expert assessment of quantitative and qualitative factors.

2) Financial Statements and Related Information

Any Applicant or Customer who does not have a Credit Rating from a Rating Agency shall be considered “Unrated”. Each such Unrated Applicant or Customer must submit to Transmission Provider audited financial statements for each completed fiscal quarter of the then current fiscal year including the most recent fiscal quarter, as well as the most recent three (3) fiscal years, or the period of existence of the Applicant or Customer, if shorter. All financial and related information considered in the Applicant’s or Customer’s creditworthiness must be audited by a third-party, arms-length entity and must be accompanied by an unqualified audit letter acceptable to Transmission Provider.

For Unrated Applicants or Customers with publicly-traded stock, this information must include:

- (i) Annual reports on Form 10-K (or successor form) for the three (3) fiscal years most recently ended and quarterly reports on Form 10-Q (or successor form) for each completed quarter of the then current fiscal year, together with any amendments thereto; and
- (ii) Form 8-K (or successor form) reports disclosing material changes, if any, that have been filed since the most recent Form 10-K (or successor form), if applicable.

For Unrated Applicants or Customers that are privately held, this information must include:

- (i) Management’s Discussion and Analysis;
- (ii) Report of Independent Accountants;
- (iii) Financial Statements, including balance sheets, income statements, statement of cash flows, and statement of stockholder’s equity; and
- (iv) Notes to financial statements;

If the above information is available on the Internet, the Applicant or Customer may provide a letter to Transmission Provider stating where such statements may be located and retrieved by Transmission Provider in lieu of providing the same. For certain Unrated Applicants or Customers for whom some of the above financial information may not be available, alternate requirements may be specified by Transmission Provider on a case-by-case basis.

In evaluating the creditworthiness of an Unrated Public Power Entity, Transmission Provider may request additional information as part of the overall financial review process and may consider other alternative measures and perform different evaluations in determining financial strength and creditworthiness. For purposes hereof, “Public Power Entity” or “PPE” shall mean an Applicant or Customer that is a not-for-profit municipality, authority, cooperative, joint action agency, or agent representing one or more Public Power Entities and whose credit quality is directly derived from the credit quality of the Public Power Entities represented through the agency relationship or any other entity that Transmission Provider reasonably deems to be a

Public Power Entity. Notwithstanding the above provisions, Transmission Provider may waive the requirement that financial statements and related information be provided by an Applicant or Customer providing/maintaining an acceptable Irrevocable Letter of Credit who agrees that its Unsecured Credit Line is and shall be zero.

3) References

Unrated Applicants and Customers shall, upon request, provide Transmission Provider with at least one (1) bank and three (3) trade references acceptable to Transmission Provider.

4) Litigation, Commitments and Contingencies

Each Unrated Applicant and Customer shall provide Transmission Provider with information as to any material litigation, commitments or contingencies as well as any prior bankruptcy declarations or material defaults or defalcations by, against or involving the Applicant or Customer or its predecessors, subsidiaries or Affiliates, if any. These disclosures shall be made upon application, execution of any related agreement and initiation or change in any Service(s), at least annually thereafter and as more often requested by Transmission Provider.

5) Other Disclosures

Each Applicant and Customer shall disclose to Transmission Provider the existence of any material new or ongoing investigations by the Federal Energy Regulatory Commission (the "Commission"), the Securities and Exchange Commission ("SEC"), or any other governing, regulatory, or standards body. These disclosures shall be made upon application, execution of any related agreement and initiation or change in any Service(s), at least annually thereafter and as more often requested by Transmission Provider.

B. Ongoing Credit Evaluation

On at least an annual basis, Transmission Provider will perform follow-up credit evaluations on each Applicant and Customer. In connection therewith, on at least an annual basis, each Applicant and Customer will provide Transmission Provider an updated completed Application and Transmission Provider will follow the same procedure and require the same information as during the initial credit evaluation. Transmission Provider will also require the following additional information:

1) Material Adverse Changes

Each Applicant and Customer shall inform Transmission Provider immediately, in writing, of any Material Adverse Change in its financial condition (or the financial condition of its Guarantor). For the purpose of the Credit Policy, a "Material Adverse Change" in financial condition includes, but is not limited to, any of the following:

- (i) A downgrade or suspension of any debt or issuer rating by any Rating Agency;

- (ii) Being placed on a credit watch with negative implications (or similar) by any Rating Agency;
- (iii) A bankruptcy filing or material default or defalcation;
- (iv) Insolvency;
- (v) Conditions (i), (ii), (iii) or (iv) occurring with respect to any parent or subsidiary of Applicant or Customer;
- (vi) A quarterly or annual loss or a decline in earnings of twenty-five percent (25%) or more compared to the comparable year-ago period;
- (vii) Restatement of any prior financial statements;
- (viii) The resignation or removal of any key officer(s) or director(s); or
- (ix) Any government investigation or the filing of a lawsuit that could adversely impact any current or future financial results by twenty-five percent (25%) or more.

On at least an annual basis or if there is a Material Adverse Change in the financial condition of the Applicant or Customer, Transmission Provider may review the Credit Rating and revise the Credit Score (as defined in Section II.A. below) and/or Unsecured Credit Line of said Applicant or Customer. In the event said Applicant or Customer is required to provide additional Eligible Collateral as a result of the Transmission Provider's review/update, Transmission Provider will notify Applicant or Customer and such additional Eligible Collateral must be provided within five (5) business days of such notice, all in amount and form approved by Transmission Provider.

II. UNSECURED CREDIT LINE

For entities with a Credit Rating from any of the Rating Agencies, the Unsecured Credit Line may be based solely on such Credit Rating. For Unrated entities, Transmission Provider's credit evaluation process will include calculating a Credit Score. Such Credit Score will be utilized to determine each Unrated Applicant's and Customer's Unsecured Credit Line. Applicants and Customers who do not qualify for an Unsecured Credit Line or whose Unsecured Credit Line is less than its Total Potential Exposure will be required to provide Eligible Collateral based on their Total Potential Exposure (as defined in Section III.A. below), as provided below. A Total Credit Limit (as defined in Section III.B. below) will be established based on the Unsecured Credit Line and/or any Eligible Collateral that is provided and maintained.

If Applicants and Customers are considered Affiliates of each other, Unsecured Credit Lines and Total Credit Limits will be established for each individual Applicant and Customer, subject to an aggregate maximum amount for all Affiliates that will be based on a combined risk analysis.

A. Credit Score

For Unrated entities, a credit score will be generated by Transmission Provider based on its review and analysis of the qualitative and quantitative information required to be provided to Transmission Provider pursuant to the Credit Policy as described in more detail below (the "Credit Score").

1) Public Power Entities

If a Public Power Entity is Unrated, Transmission Provider will first determine a PPE Qualitative Score (defined below) based on a scale from 1 to 6 for such Unrated Public Power Entity. A score of one (1) indicates that the Public Power Entity has strong credit from a qualitative perspective, while a score of six (6) indicates weak credit from a qualitative perspective. The qualitative score will be based on Transmission Provider's assessment of the following characteristics ("PPE Qualitative Score"):

- (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 provided to Transmission Provider related to the formation and governance of such Public Power Entity;
- (iii) the number and composition of members or customers of the Public Power Entity;
- (iv) the exposure to energy price risk for load served by the Public Power Entity; and
- (v) other applicable qualitative measures of creditworthiness.

The Transmission Provider's quantitative analysis of the creditworthiness of each Unrated Public Power Entity shall be determined based upon the following financial metrics for such Unrated Public Power Entity:

Current Ratio: $\text{Current Assets} / \text{Current Liabilities}$

Working Capital: $\text{Current Assets} - \text{Current Liabilities}$

Tangible Net Worth: $\text{Total Equity} - \text{Intangible Assets} - \text{Goodwill}$

EBIT Interest Coverage: $(\text{Interest Expense} + \text{Income Taxes} + \text{Net Income}) / \text{Interest Expense}$

EBITDA Interest Coverage: $(\text{Depreciation} + \text{Amortization} + \text{Interest Expense} + \text{Income Taxes} + \text{Net Income}) / \text{Interest Expense}$

Total Debt/Total Equity: $\text{Total Debt}^* / \text{Total Equity}^{**}$

Pre-Tax Return on Equity: $(\text{Income Taxes} + \text{Net Income}) / \text{Total Equity}^{**}$

Total Debt/Total Capitalization: $\text{Total Debt}^* / (\text{Total Debt}^* + \text{Total Equity}^{**})$

* Total Debt = Short Term Debt + Long Term Debt + Current Maturities of Long Term Debt + Operating Leases + Capital Leases + Other Imputed Debt

** Total Equity = Total Members'/Shareholders' Equity + Preferred Stock

These financial metrics shall serve as inputs into an algorithm as set forth in Table 1. With the exception of the Total Debt/Total Equity and Total Debt/Total Capitalization ratios, the ratios/measures in Table 1 represent the maximum ratio/measure for which the associated credit

score component will be assigned. For example, an Unrated Public Power Entity with a Current Ratio of 0.79 would qualify for a credit score of 5 with respect to such component, and a Current Ratio of 3.2 would qualify for a 1 with respect to such component. On the other hand, the Total Debt/Total Equity and Total Debt/Total Capitalization columns represent the minimum ratio for which the associated credit score with respect to such component will be assigned. For example, a Total Debt/Total Capitalization ratio of 95% would qualify for a credit score of 5 with respect to such component, and 5% would qualify for a 1.

Table 1:

Credit Score	Current Ratio	Working Capital	Tangible Net Worth	EBIT Interest Coverage	EBITDA Interest Coverage	Pre-Tax Return on Equity	Total Debt/Total Equity	Total Debt/Total Capitalization
6	0.3	100,000	15,000,000	1.0	1.7	1.3%	12.4	100%
5	0.8	5,000,000	40,000,000	1.1	2.0	3.4%	7.9	90%
4	1.3	10,000,000	65,000,000	1.2	2.3	5.5%	3.4	80%
3	1.6	25,000,000	75,000,000	1.3	2.5	12.6%	2.3	70%
2	1.9	40,000,000	85,000,000	1.4	2.7	19.7%	0.1	10%
1	∞	∞	∞	∞	∞	∞	0.0	0%

Once the calculated financial metrics have been translated into a credit score for each of the above-described components, those scores will be combined into a quantitative score according to the following weights (“PPE Quantitative Score”):

Table 2:

Credit Metric	Weight
Current Ratio	10%
Working Capital	10%
Tangible Net Worth	10%
EBIT Interest Coverage	10%
EBITDA Interest Coverage	10%
Pre-Tax Return on Equity	10%
Total Debt/Total Equity	20%
Total Debt/Total Capitalization	20%

Each Unrated Public Power Entity’s overall Credit Score will be determined by calculating a weighted average of its PPE Quantitative Score and its PPE Qualitative Score, where the weights are 30% PPE Quantitative Score and 70% PPE Qualitative Score.

2) Investor Owned Entities

If an Applicant or Customer that does not meet the definition of a Public Power Entity (an “Investor Owned Entity” or “IO”) is Unrated, Transmission Provider will first determine an IO Qualitative Score (defined below) based on a scale from 1 to 10 for such Unrated Investor Owned Entity. A score of one (1) indicates strong credit from a qualitative perspective. A score of ten (10) indicates weak credit from a qualitative perspective. The qualitative score will be

based on Transmission Provider's assessment of the following characteristics ("IO Qualitative Score"):

- (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 provided to Transmission Provider related to the formation and governance of such Investor Owned Entity;
- (iii) the number and composition of members or customers of the Investor Owned Entity;
- (iv) the exposure to energy price risk for load served by the Investor Owned Entity;
- (v) nature of the Investor Owned Entity's business; and
- (vi) other applicable qualitative measures of creditworthiness.

The Transmission Provider's quantitative analysis of the creditworthiness of each Unrated Investor Owned Entity shall be determined based upon the following financial metrics for such Unrated Investor Owned Entity:

EBITDA/Interest Expense: (Earnings From Continuing Operations + Interest Expense + Income Taxes + Depreciation and Amortization)/Interest Expense;

Total Debt/Total Capital: Total Debt/Total Capital; where Total Debt = Short Term Debt + Long Term Debt + Current Maturities of Long Term Debt + Operating Leases + Capital Leases + Other Imputed Debt; Total Capital = Total Debt + Total Equity; Total Equity = Total Shareholders'/Owners' Equity + Preferred Stock

Retained Earnings/Total Equity: Retained Earnings/Total Equity

Total Assets: In Millions of United States Dollars

These financial metrics will then be combined with the IO Qualitative Score to determine the Unrated Investor Owned Entity's credit score using the following formula:

$$\text{Credit Score} = 6.92 + 0.59 * \text{IO Qualitative Score} - 0.39 * \text{EBITDA/Interest Expense} + 3.03 * \text{Total Debt/Total Capital} - 1.596 * \text{Retained Earnings/Total Equity} - .000030808 * \text{Total Assets}$$

The components and coefficients of the above formula may be revised by Transmission Provider periodically as it deems necessary to maintain an accurate credit scoring algorithm and posted on OASIS.

B. Unsecured Credit Lines

Transmission Provider will determine an Applicant's or Customer's Unsecured Credit Line based on its Credit Rating from the Rating Agencies or its Credit Score, as applicable, in accordance with the equation, applicable table and guidelines set forth below:

Unsecured Credit Line = Unsecured Percentage * [(Total Potential Exposure – Unpaid Invoices)
+ Unpaid Invoices excluding past due Unpaid Invoices]

Where:

Unsecured Percentage will be determined in accordance with the applicable table set forth below.

Total Potential Exposure will be calculated as set forth in Section III.A. below.

Unpaid Invoices is defined in Section III.A. below.

However, Transmission Provider may further limit the maximum Unsecured Credit Line for any Applicant or Customer to \$10,000,000.

Unsecured Percentage – Applicants and Customers With a Credit Rating

Credit Rating	Unsecured Percentage
BBB+ and above*	100%
BBB*	50%
BBB-*	25%
BB+ and below*	0%

(*or equivalent)

Unsecured Percentage – Unrated Public Power Entities

Credit Score	Unsecured Percentage
1 and 2	100%
3	50%
4	25%
5 and 6	0%

Unsecured Percentage – Unrated Investor Owned Entities

Credit Score	Unsecured Percentage
6 and below	100%
7	75%
8	50%
9	25%
10 and above	0%

Notwithstanding the above provisions, Transmission Provider may elect not to calculate a Credit Score (or any component thereof) or determine an Unsecured Credit Line for any Applicant or

Customer providing/maintaining an acceptable Irrevocable Letter of Credit who agrees that its Unsecured Credit Line is and shall be zero.

Transmission Provider has the right at any time to modify any Unsecured Credit Lines and/or require additional Eligible Collateral as it may reasonably be deemed necessary to support current and expected market activity and Service(s) provided or reasonably expected to be provided under the OATT and/or related agreement(s) by posting such modification on OASIS and/or by notifying Applicants and Customers directly.

C. Late Payments

Should an Applicant or Customer fail to make timely payment on two (2) or more occurrences during a six (6) month or shorter period, such Applicant's or Customer's Unsecured Credit Line may be reduced to zero by Transmission Provider and, thereupon, Applicant or Customer shall immediately provide Eligible Collateral to Transmission Provider such that its Total Potential Exposure is less than the value of Eligible Collateral provided to and maintained with Transmission Provider.

III. ELIGIBLE COLLATERAL REQUIREMENTS AND TOTAL CREDIT LIMIT AMOUNTS

A. Eligible Collateral Requirements

If, at any time, Transmission Provider determines that an Applicant or Customer does not qualify for an Unsecured Credit Line or that its Total Potential Exposure equals or exceeds its Total Credit Limit, such Applicant or Customer will be required to and shall provide Eligible Collateral such that its Total Potential Exposure is less than its Total Credit Limit. "Total Potential Exposure" shall be defined as the sum of (i) three times the estimated average monthly charges (as estimated by Transmission Provider) for Service(s) that Applicant or Customer has applied for, is taking and/or in the future may be expected to take under the OATT and/or related agreement(s) plus (ii) the estimated charges (as estimated by Transmission Provider) for Service(s) that Applicant or Customer has applied for, is taking or may in the future be expected to take under the OATT and/or related agreement(s) during the longest Cure Period (as defined in Section VII below) permitted under the Credit Policy plus (iii) the amount of any unpaid invoices for Service(s) rendered to or for the benefit of Applicant or Customer under the OATT and/or related agreement(s) ("Unpaid Invoices"). If at any time Transmission Provider reasonably expects the future average monthly charges to the Applicant or Customer to increase and/or if Applicant or Customer has purchased or obtained assigned or resold Service(s), Transmission Provider may revise the Total Potential Exposure. Without limiting the foregoing, Transmission Provider may review the Applicant's or Customer's Eligible Collateral requirement at least annually and may require additional Eligible Collateral if the Total Potential Exposure increases.

Transmission Provider may reduce or waive the Eligible Collateral requirement for an Applicant or Customer who has no outstanding obligations and agrees in writing that it shall not, after the

date of such agreement, incur obligations under the OATT or any or all related agreement(s). In such instance, such entity's access to all electronic and other transaction systems administered by Transmission Provider may be immediately terminated.

Transmission Provider may reduce or waive Eligible Collateral requirements to accommodate small and/or short-term transactions.

B. Total Credit Limit

The "Total Credit Limit" for an Applicant or Customer is the sum of its Unsecured Credit Line and the value of Eligible Collateral it has provided to and maintains with Transmission Provider.

C. Total Credit Limit Setting For Affiliates

If two or more Applicants or Customers are Affiliates and each is being granted a Total Credit Limit, Transmission Provider may consider the overall creditworthiness of the Affiliated Applicants and Customers and any Guarantor when determining the applicable Total Credit Limits and adjust such values downward so as not to have undue exposure/concentration of credit.

Example: Applicants A and B who are not entitled to an Unsecured Credit Line each have a \$2 million Parent Guaranty from their common parent, a holding company which would be entitled to an Unsecured Credit Line of \$2 million if it were an Applicant or Customer. Transmission Provider may limit the Total Credit Limit for each Applicant to \$1.0 million, so the aggregate Total Credit Limit for both Applicants does not exceed a total of \$2 million. Transmission Provider will work with Affiliated Applicants and Customers to allocate the aggregate Total Credit Limit among the Affiliates while assuring that credit extended to Affiliated Applicants and Customers and the value assigned to any Parent Guaranties from a common Guarantor does not exceed the aggregate Total Credit Limit.

D. Monitoring of Activity Relative to Total Credit Limit

Should an Applicant's or Customer's Total Potential Exposure equal or exceed eighty-five percent (85%) of its Total Credit Limit, the Transmission Provider may notify the Applicant or Customer of such, provided the Applicant or Customer shall be responsible for ensuring that its Total Potential Exposure is less than its Total Credit Limit at all times.

E. Total Potential Exposure Violations

Should an Applicant's or Customer's Total Potential Exposure equal or exceed its Total Credit Limit at any time, the Applicant or Customer shall immediately (i) pay invoiced amounts to reduce its Total Potential Exposure and/or (ii) immediately provide Eligible Collateral in an amount sufficient to increase its Total Credit Limit such that after making such payments and/or providing such Eligible Collateral, its Total Potential Exposure will not equal or exceed its Total Credit Limit. Eligible Collateral submitted to increase an Applicant's or Customer's Total Credit Limit must meet the requirements for Eligible Collateral as described in the Credit Policy.

IV. COMMUNICATION WITH APPLICANTS AND CUSTOMERS

A. Initial Credit Evaluation

Transmission Provider will notify all Applicants and Customers who have submitted a current Application of the results of the initial credit evaluation and the Applicant's and Customer's Unsecured Credit Line.

B. Ongoing Credit Evaluation

Transmission Provider will inform each Applicant and Customer who has submitted a current Application of the results of the ongoing credit evaluation. Transmission Provider will also notify each Applicant and Customer of any change in their Credit Score and Unsecured Credit Line and any need for additional Eligible Collateral whereupon such Applicant and Customer will post any required additional Eligible Collateral.

Applicants or Customers desiring an explanation from Transmission Provider regarding any change in their Credit Score or Unsecured Credit Line and/or the need for additional Eligible Collateral must request from Transmission Provider such an explanation in writing within five (5) business days of receipt of Transmission Provider's notice. Transmission Provider will respond within fifteen (15) business days of receipt of Applicant's or Customer's request for an explanation; provided, unless Transmission Provider otherwise notifies Applicant or Customer in writing, no request for explanation or response thereto shall suspend or delay any requirement to post Eligible Collateral.

C. Contesting a Transmission Provider Decision

An Applicant or Customer who wishes to dispute a Transmission Provider credit or collateral decision will have the opportunity to do so. Said Applicant or Customer must notify Transmission Provider in writing within five (5) business days of receipt of Transmission Provider's original decision that it wishes to dispute Transmission Provider's decision. Within five (5) business days of so notifying Transmission Provider, the Applicant or Customer must submit to Transmission Provider a written explanation of why and on what basis it is disputing Transmission Provider's decision and what it reasonably concludes the result should be (and for what reasons). Transmission Provider will respond to the dispute within fifteen (15) business days of receipt of the Applicant's or Customer's explanation, provided no dispute, explanation or response thereto shall suspend or delay any requirement to post Eligible Collateral. Transmission Provider's response to the Applicant's or Customer's dispute cannot be further disputed unless manifestly unreasonable.

D. Other

Eligible Collateral requirements and/or Total Credit Limits may be changed by posting such changes on OASIS and/or by notifying Applicants and Customers directly.

V. [Intentionally Left Blank]

VI. FORMS OF ELIGIBLE COLLATERAL

Applicants and Customers who provide Eligible Collateral (defined below) must provide the same in a form approved by Transmission Provider according to the guidelines set forth in the Attachment and in this Credit Manual as may be revised periodically and posted on OASIS. Acceptable forms of eligible collateral include Irrevocable Letters of Credit and Parent Guaranties in the forms posted on OASIS as may be revised periodically, subject to the requirements below as may be revised periodically and posted on OASIS and Transmission Provider's approval (the "Eligible Collateral").

A. Irrevocable Letter of Credit

An Irrevocable Letter of Credit may be submitted as a form of Eligible Collateral. An acceptable form of Irrevocable Letter of Credit is posted on Transmission Provider's OASIS. The Transmission Provider may amend the form of acceptable Irrevocable Letter of Credit by posting an amended/updated form on OASIS periodically and/or on a case-by-case basis.

The Irrevocable Letter of Credit must, among other things, be for an initial term of not less than three hundred sixty (360) days and be issued by a U.S. financial institution having a minimum corporate debt rating of A- by S&P, A3 by Moody's, or A- by Fitch (or an equivalent short-term debt rating by any of the Rating 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 or Customer. If an Applicant or 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.

The Irrevocable Letter of Credit shall by its terms automatically renew unless the issuing financial institution provides a notice to the Transmission Provider at least ninety (90) days prior to its expiration date stating its decision not to renew the Irrevocable Letter of Credit. Upon and after receiving such notice, the Transmission Provider shall be entitled to draw the full amount of the Irrevocable Letter of Credit.

Should the amount of the Irrevocable Letter of Credit fall below the required level due to a drawing, it must be immediately replenished or substituted by another form of Eligible Collateral acceptable to the Transmission Provider.

If the issuing financial institution's corporate debt is no longer rated or is at any time rated less than A- by S&P, A3 by Moody's or A- by Fitch (or an equivalent short-term debt rating by any of the Rating Agencies) or if the Irrevocable Letter of Credit otherwise no longer satisfies the Credit Policy requirements, the Applicant or Customer shall immediately submit another form of Eligible Collateral acceptable to the Transmission Provider, in the Transmission Provider's discretion, in place of the Irrevocable Letter of Credit.

B. Parent Guaranty

Any guaranty agreement must be issued by the Applicant's or Customer's direct or indirect parent company ("Parent Guaranty") and, subject to the terms of the Attachment and the provisions of this Credit Manual as may be revised periodically and posted on OASIS, the maximum associated Eligible Collateral value of the Parent Guaranty will be based on the Unsecured Credit Line to which the Guarantor would be entitled if it were the Applicant or Customer under the Credit Policy. The Parent Guaranty must:

- (i) be in the form of Parent Guaranty posted on OASIS periodically by Transmission Provider with any modifications to such form by Applicant or Customer subject to review and approval by Transmission Provider;
- (ii) be denominated in United States currency;
- (iii) be written and executed solely in English, including any duplicate originals;
- (iv) be signed by an authorized officer or representative of the Guarantor;
- (v) be authorized and executed in a manner acceptable to Transmission Provider; and
- (vi) be accompanied by an executed and sealed Secretary's Certificate confirming that the execution, delivery and performance of the Parent Guaranty is duly authorized and that the person signing the Parent Guaranty is duly authorized, all in a manner acceptable to Transmission Provider.

An Applicant or Customer supplying a Parent Guaranty must provide and continue to provide the same information regarding the Guarantor as is required of an Applicant or Customer, including Rating Agency reports, financial statements and related information, references, litigation information and other disclosures, as applicable.

If there is a Material Adverse Change in the financial condition of the Guarantor that adversely affects the Eligible Collateral value of the Parent Guaranty or if the Parent Guaranty comes within ninety (90) days of expiring without renewal or no longer satisfies the Credit Policy requirements, the Applicant and/or Customer will be required to immediately provide the Transmission Provider with another acceptable Parent Guaranty or other Eligible Collateral.

All costs associated with obtaining and maintaining a Parent Guaranty and meeting the provisions of the Credit Policy are the responsibility of Applicant and Customer.

Every Guarantor must:

- (i) satisfy all provisions of the Credit Policy;
- (ii) be a direct or indirect parent of the Applicant or Customer;

- (iii) maintain an agent for acceptance of service of process in the United States;
- (iv) be rated by at least one Rating Agency acceptable to Transmission Provider;
- (v) have and maintain a senior unsecured (or equivalent) rating of BBB+ (or equivalent) or greater by any and all Rating Agencies that provide rating coverage of the entity; and
- (vi) if requested, provide financials in GAAP format or other format acceptable to Transmission Provider.

If a proposed Parent Guaranty is from an entity that is domiciled in a country other than the United States, the Parent Guaranty agreement shall be considered a “Foreign Guaranty”. All Foreign Guaranties must not exceed fifty percent (50%) of the Applicant’s or Customer’s Eligible Collateral. In addition to all of the above requirements, every Guarantor under a Foreign Guaranty must:

- (i) be domiciled in a country with a minimum long-term sovereign (or equivalent) rating of AAA/Aaa, with the following conditions: A) Sovereign ratings must be available from at least two Rating Agencies acceptable to Transmission Provider; B) Each Rating 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 Transmission Provider’s discretion; and C) When two or more ratings from a Rating Agency are available and/or when ratings are available from two or more Rating Agencies, the lowest of the ratings will be used;
- (ii) be domiciled in a country that recognizes and accepts judgments of United States courts; and
- (iii) demonstrate financial commitment to activity in the United States as evidenced by one of the following: A) its American Depositary Receipts (ADR) are traded on the New York Stock Exchange, American Stock Exchange, or NASDAQ; or B) it holds equity ownership worth over \$100,000,000 in wholly-owned or majority owned subsidiaries in the United States.

Upon Transmission Provider’s request, Applicant or Customer, at its own cost, shall provide Transmission Provider with a legal opinion from independent attorney(s)/solicitor(s) acceptable to Transmission Provider, in form and substance acceptable to Transmission Provider, confirming the enforceability of the Parent Guaranty, the Guarantor’s legal authorization to grant the Parent Guaranty, the compliance with Credit Policy requirements, and/or such other matters as Transmission Provider may require. Transmission Provider reserves the right to deny, reject, or terminate acceptance and acceptability as Eligible Collateral of any Parent Guaranty at any time for reasonable cause, including Material Adverse Change or other change in circumstances.

If a Parent Guaranty is utilized as Eligible Collateral, the Eligible Collateral value assigned thereto will (subject to the additional limitations on Foreign Guaranties described above and in the Credit Manual as may be revised periodically and posted on OASIS) not exceed the lesser of:

- The unused dollar limit imposed in the Parent Guaranty;

- The unused Unsecured Credit Line which would be available to the Guarantor if it were the Applicant or Customer as calculated by Transmission Provider periodically based upon the Credit Score/Credit Rating of the Guarantor determined periodically as set forth or referenced above; and
- A portion of the Unsecured Credit Line/Total Credit Limit calculated for the respective Applicant, Customer and/or Guarantor in the case of Affiliated Applicants or Customers and/or Applicants or Customers with the same Guarantor or Affiliated Guarantors.

VII. DEFAULT AND CURE PERIOD

If an Applicant or Customer fails to comply with the Credit Policy in any way and such failure is not cured within five (5) business days (the “Cure Period”) after its initial occurrence, such Applicant or Customer shall be in default under the Credit Policy and Transmission Provider may immediately suspend, limit or terminate any or all Service(s) to and rights and privileges of such Applicant or Customer under the OATT and/or any or all related agreement(s).

VIII. CAPITALIZED TERMS

Capitalized terms used but not defined herein but which are defined in the OATT shall have the meaning given to the same in the OATT.