

ATTACHMENT X

SOUTHWEST POWER POOL, INC. CREDIT POLICY

ARTICLE ONE

General Provisions

1.1 Policy Statement. In furtherance of competition and the orderly administration of the Tariff, Southwest Power Pool (“SPP”) shall administer, implement and enforce this Credit Policy. This Credit Policy is intended to encourage the maximum participation of large and small participants in all market sectors while minimizing the likelihood of losses due to default and to establish eligibility requirements for market participation.

1.2 Applicability of Credit Policy and Overview.

1.2.1 This Credit Policy is applicable to each Credit Customer. It applies to each Credit Customer regardless of whether SPP previously extended credit to, or established a Total Credit Limit for, the Credit Customer. .

1.2.2 As a condition to taking any service subject to this Credit Policy, SPP must determine that the Credit Customer satisfies SPP’s credit requirements and minimum criteria for market participation under this Credit Policy and the terms and conditions for an extension of credit. SPP’s determination is a Credit Assessment. The Credit Assessment is based upon quantitative and qualitative credit scoring under the formulae and procedures set forth in this Credit Policy. This Credit Policy provides for initial and ongoing Credit Assessments. In order to facilitate continuous evaluation of credit, it requires the submission of Credit Information to SPP periodically and, additionally, upon the occurrence of certain events. Based upon the ongoing Credit Assessment, SPP is authorized, at any time, to revise a Credit Customer’s Total Credit Limit and the terms and conditions for the extension of credit.

1.2.3 SPP shall conduct initial and ongoing Credit Assessments for each Credit Customer, based, as applicable, upon the Credit Application, Credit Information, and Credit Ratings. Credit Information includes: (a) the information contained in and submitted with the Credit Customer’s duly executed Credit Application; and (b) updated and additional information the Credit Customer is required to submit from time to time under this Credit Policy. Credit Information and Credit Ratings, if any, shall be sufficient to enable SPP to determine under this Credit Policy whether to approve an extension of credit, and the amount, terms, and conditions thereof, including the extent and nature of any Guaranty or Financial Security.

1.2.4 Based upon its Credit Assessment, SPP will: (a) determine the Credit Customer’s Total Potential Exposure; (b) determine the amount of credit the Credit Customer requires; (c) determine whether to grant, and the amount of, any Unsecured Credit Allowance; (d) evaluate any Guaranty the Credit Customer offers to provide, including a Credit Assessment for the proposed Guarantor; (e) determine the amount of any required Financial Security; and (f) determine if the Credit Customer meets the minimum criteria for market participation under Sections

3.1.1.8 and 3.1.1.9. Based on these determinations, which shall include consideration of the Credit Customer's ability to fulfill SPP's requirements to obtain credit, SPP will set the Total Credit Limit for the Credit Customer.

1.2.5 To facilitate the Credit Assessment, each Credit Customer shall submit a duly executed Credit Application in the form attached as Appendix "A," and the Credit Information required under this Credit Policy. If SPP determines that an extension of credit to a Credit Customer must be supported by Financial Security, the Credit Customer shall, upon SPP's request, duly execute the Credit and Security Agreement in the form attached as Appendix "B," without variation. Any Irrevocable Letter of Credit shall be substantially in the form attached as Appendix "C," any Guaranty shall be substantially in the form attached as Appendix "D," and any Surety Bond shall be substantially in the form attached as Appendix "F." Any variations in the forms of Irrevocable Letter of Credit, Guaranty, or Surety Bond must be approved by SPP, and may not materially modify or impair SPP's rights under such form, in SPP's sole discretion.

1.2.6 This Credit Policy also sets forth separately stated Financial Security requirements for Transmission Congestion Rights.

1.3 Components of Credit Policy. This Credit Policy includes the following elements:

1.3.1 Requirements for the establishment and maintenance of credit applicable to Credit Customers.

1.3.2 The basis for establishing a Total Credit Limit for a Credit Customer in order to extend credit, but diminish the possibility of failure of payment under the Tariff and Agreements.

1.3.3 Forms of Guaranty and Financial Security acceptable to SPP, to be provided if SPP does not approve an Unsecured Credit Allowance sufficient to cover the Credit Customer's Total Potential Exposure or to cover Transmission Congestion Right activity.

1.3.4 Requirements to facilitate ongoing Credit Assessments.

1.3.5 Specification of Defaults under this Credit Policy and remedies.

1.3.6 Minimum criteria for market participation.

1.4 Fairness, Objectivity, and Non-Discrimination. SPP will seek and receive information and explanation from a Credit Customer as appropriate to help ensure that the Credit Assessment is fair and thorough. SPP will base each Credit Assessment upon SPP's evaluation of the Credit Information, Credit Ratings, and other pertinent indicators of financial strength identified under this Credit Policy. SPP shall make each Credit Assessment objectively and without undue discrimination in favor of or against any

market sector. Whenever this Credit Policy permits SPP to exercise discretion in the implementation of the provisions of this Credit Policy, SPP shall exercise that discretion in a fair and impartial manner that treats all Credit Customers in a non-discriminatory manner.

1.5 Construction and Interpretation.

1.5.1 The word “including” shall be understood to mean “including without limitation.” The singular form of a word shall be understood to include the plural form, and vice versa, as appropriate to implement the applicable term or condition.

1.5.2 Except as otherwise stated, the words “Section” and “Article” refer to sections and articles of this Credit Policy. A Section reference includes all subsections and subparts of the Section.

1.5.3 All references to amounts of cash, cash deposits, and to monies paid, provided, due or otherwise, shall be construed to refer to United States dollars.

1.6 Disputes. Any disputes arising under this Credit Policy will be subject to the dispute resolution procedures set forth in Section 12 of the Tariff.

ARTICLE TWO

Definitions

2.1 Definitions. The following definitions apply in this Credit Policy. Capitalized terms used herein and not defined herein shall be given the meaning assigned to them under the Tariff.

Affiliate

A business concern, organization, or individual is an affiliate of another business concern, organization, or individual, including a Credit Customer, that directly or indirectly: (a) has the power to control or is controlled by it; or (b) is under common control of a third party. Elements of control include interlocking management or ownership, shared facilities and equipment, and common use of employees.

Affiliated Credit Customers

Credit Customers that are Affiliates.

Agreements

The Tariff, including this Credit Policy, any and all agreements entered into by the Credit Customer under, pursuant to or in connection with the Tariff and/or this Credit Policy, and any and all other Agreements to which SPP and the Credit Customer are parties.

Auction Clearing Price

This term shall have the meaning given in Attachment AE of the Tariff.

Auction Revenue Right (ARR)

This term shall have the meaning given in Attachment AE of the Tariff.

Bid

This term shall have the meaning given in Attachment AE of the Tariff.

Business Day

A day on which the Federal Reserve System is open for business.

Cash Deposit

Cash collateral provided to SPP to secure a Credit Customer's performance under the Tariff, this Credit Policy, and/or any other Agreements, and any other cash to which the Credit Customer has title or rights in the possession of SPP (cash SPP has applied to payment of an obligation under the Tariff or Agreements is not cash to which a Credit Customer has title or rights).

Central Prevailing Time

As established by national time standards, either Central Standard Time or Central Day-Light Time.

Composite Credit Score or Credit Score

This term shall have the meaning given in Section 4.2.

Credit and Security Agreement

A legal document, outlining certain terms pursuant to which a security interest in certain collateral is granted to SPP, in the form incorporated herein as Appendix “B”.

Credit Application

The completed, executed, and submitted Credit Application in the form attached as Appendix “A” hereto, together with the Credit Information required under this Credit Policy.

Credit Assessment

This term shall have the meaning given in Article Three.

Credit Contact

This term shall have the meaning given in Section 9.1.

Credit Customer

Any person that takes or seeks to take service under the Tariff including all Transmission Service or other services under the Tariff, including any market services.

Credit Information

This term shall have the meaning given in Section 1.2.3.

Credit Ratings

Rating assigned by a Rating Agency based on an obligor’s creditworthiness to pay financial obligations.

Day-Ahead Market

This term shall have the meaning given in Attachment AE of the Tariff.

Day-Ahead Market Marginal Congestion Component (MCC)

This term shall have the meaning given in Section 8.3.1.2 of Attachment AE of the Tariff.

Default or Event of Default

Any default under Article Eight or otherwise under this Credit Policy.

Estimated TCR Exposure (ETCRE)

This term shall have the meaning given in Section 5A.1.3.

Estimated Virtual Exposure (“EVE”)

This term shall have the meaning given in Section 4A.2.

ETCRE Bid

This term shall have the meaning given in Section 5A.4.

ETCRE Hold

This term shall have the meaning given in Section 5A.2.

ETCRE Offer

This term shall have the meaning given in Section 5A.5.

Federal Power Marketing Agency

For purposes of this Credit Policy, this term shall have the same definition that is set forth in the Federal Power Act at 16 U.S.C. § 796(19), which defines a "Federal power marketing agency" as "any agency or instrumentality of the United States (other than the Tennessee Valley Authority) which sells electric energy[.]"

FERC

The Federal Energy Regulatory Commission.

Financial Security

A Cash Deposit, Irrevocable Letter of Credit, Surety Bond, or Federal Power Marketing Agency Letter in amount and in forms as described in Article Seven of this Credit Policy, provided by a Credit Customer to SPP as security.

Financial Statements

This term shall have the meaning given in Section 3.1.1.1.

Guarantor

An entity that guarantees the obligation of another entity under a Guaranty.

Guaranty

A legal document used by an Affiliate of a Credit Customer pursuant to Article Six to guarantee the obligations of such Credit Customer for the benefit of SPP.

Incremental Long-Term Congestion Right (ILTCR)

This term shall have the meaning given in Part I. Section 1 of this Tariff.

Irrevocable Letter of Credit

An irrevocable standby letter of credit, with SPP as beneficiary, substantially in the form attached as Appendix "C" to this Credit Policy and acceptable to SPP.

Large Company Credit Customers or Large Company

This term shall have the meaning given in Section 4.2.1.

Locational Marginal Price

This term shall have the meaning given in Attachment AE of the Tariff.

Long-Term Congestion Right (LTCR)

This term shall have the meaning given in Attachment AE of this Tariff.

Market Exposure

This term has the meaning given in Section 5.2.1.

Material

The lesser of (i) the materiality standard established by the certified public accounting firm performing the Credit Customer's annual audit, (ii) an amount that equals or exceeds five percent (5%) of the Credit Customer's Tangible Net Worth using the last audited financial statements, calculated in accordance with generally acceptable accounting principles; and (iii) a change, event, proceeding, or other occurrence, that results (or if adversely determined could result) in a change of five percent (5%) or more in the Credit Customer's Tangible Net Worth compared to the Tangible Net Worth of the Credit Customer using the last audited financial statements, calculated in accordance with generally acceptable accounting principles.

Material Adverse Change

This term shall have the meaning given in Section 3.2.7.

Minimum Offer Segment

This term shall have the meaning given in Section 5A.5.3.

Minimum Segment Hold

This term shall have the meaning given in Section 5A.4.3.

Minimum TCR Collateral Requirement

This term has the meaning given in Section 5A.3.6.

Not-For Profit Credit Customers or Not-For-Profit

This term shall have the meaning given in Section 4.2.3.

Offer

This term shall have the meaning given in Attachment AE of the Tariff.

Operating Day

This term shall have the meaning given in Attachment AE of the Tariff.

Operating Hour

This term shall have the meaning given in Attachment AE of the Tariff.

Peak Market Activity Day

The day in which a Credit Customer's calculated charges owed to SPP are the greatest, over a specified period.

Potential Exposure Window

The number of days of credit exposure for a Credit Customer equal to the sum of days of service that have been invoiced but not paid, days of service that have been calculated but not invoiced, days of service in the cure period, and days before service can be terminated.

Qualitative Score

This term has the meanings applicable under Article Four.

Quantitative Score

This term has the meanings applicable under Article Four.

Rating Agency(ies)

Any Rating Agency that is a “Nationally Recognized Statistical Rating Organizations” as defined by the US Securities Exchange Commission. Currently there are four — Dominion Bond Rating Service Ltd., Fitch, Inc., Moody's Investors Service, and the Standard & Poor's Division of the McGraw Hill Companies Inc.

Real-Time

This term shall have the meaning given in Attachment AE of the Tariff.

Real-Time Balancing Market

This term shall have the meaning given in Attachment AE of the Tariff.

SEC

The Securities and Exchange Commission.

Settlement Location

This term shall have the meaning given in Attachment AE of the Tariff.

Settlement Statement

This term shall have the meaning given in Attachment AE of the Tariff.

Small Company Credit Customers or Small Company

This term shall have the meaning given in Section 4.2.2.

Surety Bond

A surety bond, with SPP as beneficiary, substantially in the form attached as Appendix “F” to this Credit Policy and acceptable to SPP.

Tangible Net Worth

This term shall have the meaning given in Section 4.3.

TCR Final Reference Price

This term shall have the meaning given in Section 5A.2.1.

TCR Mean Price

This term shall have the meaning given in Section 5A.2.1.

TCR Portfolio Credit Requirement

This term shall have the meaning given in Section 5A.3.

TCR Stress Test Price

This term shall have the meaning given in Section 5A.2.1.

Total Credit Limit

This term shall have the meaning given in Section 4.5.

Total Potential Exposure or TPE

SPP's estimate of the Credit Customer's current or anticipated transaction activity and resulting obligations for all services under the Tariff or otherwise, excluding Transmission Congestion Rights activity.

Total Potential Exposure Violation

This term shall have the meaning given in Section 5.4.1.

Total TCR Credit Requirement

Total TCR Credit Requirement is the amount of Financial Security a Credit Customer must provide in order to support the TCR positions that it holds and/or for which it is submitting Bids and Offers.

Transmission Congestion Right (TCR)

This term shall have the meaning given in Attachment AE of the Tariff.

Transmission Congestion Right Auction (TCR Auction)

This term shall have the meaning given in Attachment AE of the Tariff.

Transmission Service Potential Exposure

This term shall have the meaning give in Section 5.2.2.

Unsecured Credit Allowance

This term shall have the meaning given in Section 4.3.

Virtual Energy Bid,

This term shall have the meaning given in Attachment AE of the Tariff.

Virtual Energy Offer

This term shall have the meaning given in Attachment AE of the Tariff.

ARTICLE THREE

Credit Assessment

3.1 Minimum Criteria for Market Participation and Initial Credit Assessment.

3.1.1 Credit Application and Credit Information. A Credit Customer must submit a completed and duly executed Credit Application. The Credit Application shall be renewed and updated for each successive year and shall be submitted to SPP no later than April 30 of each year. A completed Credit Application includes submission of the Credit Application form (Appendix "A"), all information required under Section 3.1.1, and additional information that SPP may request. The Credit Customer must submit the following information with its Credit Application.

3.1.1.1 Audited Financial Statements and Related Information. All annual Financial Statements submitted must be audited. Financial Statements are the following.

- a. If the Credit Customer is subject to SEC reporting requirements, Financial Statements are:
 - 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, filed after the most recent Form 10-K.
- b. If the Credit Customer is not subject to SEC reporting requirements, Financial Statements are:
 - i. For each of the three fiscal years most recently ended, the Report of Independent Accountants (for each of the three fiscal years most recently ended);

- and audited financial statements, including balance sheet, income statement, statement of cash flow, and statement of stockholder's equity;
 - ii. For each completed fiscal quarter of the then current fiscal year; financial statements as described in (i) above. Unaudited quarterly financial statements are acceptable.
 - iii. Notes to financial statements; and
 - iv. Management's discussion and analysis, if any.
- c. The Credit Customer may submit Financial Statements by informing SPP, in writing, where the Financial Statements can be retrieved through the internet. Successful retrieval by SPP will satisfy the Financial Statements submission requirements of this Section. If SPP is not satisfied with the retrieval through the internet, it may require the Credit Customer to submit Financial Statements in hard copy form.
- d. In the event any parts of the Financial Statements required under this Section are inapplicable to the Credit Customer, SPP may specify alternate requirements. SPP may request additional Financial Statements and related information at its sole discretion.
- e. For Not-For-Profit Credit Customers, some of the above financial submittals may not be applicable, and alternate requirements may be specified by SPP.
- f. In the credit evaluation of Not-For-Profit Credit Customers, SPP may request additional information as part of the overall financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3.1.1.2 **References.** The Credit Customer must provide at least one bank reference and at least three references from entities that have significant commercial relationships with the Credit Customer.

3.1.1.3 **Loss Contingencies.** The Credit Customer must fully and accurately identify and describe each of the following, or state that there are no such matters applicable to the Credit Customer:

- a. known pending or, to the Credit Customer's knowledge, threatened, court actions, arbitration proceeding, investigations, commitments, claims, contingencies, or existing or potential liabilities that are or would be Material if determined adversely to the Credit Customer;

- b. ongoing investigations by the SEC, the FERC, or of any other governing, regulatory, or standards body that is Material or would be Material if determined adversely to the Credit Customer;

- c. prior bankruptcy declarations or petitions, voluntary or involuntary, by or against the Credit Customer, its predecessors, subsidiaries or Affiliates; and

- d. Material defalcations or fraud by or involving the Credit Customer, its predecessors, subsidiaries or Affiliates, or any of their respective assets.

3.1.1.4 **Affiliates.** The Credit Customer must identify all Affiliates that are Credit Customers.

3.1.1.5 **Total Potential Exposure Information.** The Credit Customer shall provide an estimate of its current or anticipated transaction activity for all services under the Tariff or otherwise over the succeeding twelve months, excluding Transmission Congestion Rights activity, sufficient to permit SPP to determine the Credit Customer's Total Potential Exposure.

- 3.1.1.6 Attestation Minimum Criteria for Market Participation and of Risk Management Capabilities.** Each applying Market Participant shall submit to SPP a notarized statement signed by an authorized officer in the form attached as “Appendix E” to this Attachment X, attesting that:
- a. The officer has signature authority to make the statement;
 - b. Employees or agents transacting in markets and services provided pursuant to the Tariff on behalf of the applying Market Participant have received, or will receive, applicable training with regard to their participation under this Tariff as a condition of being authorized to transact on behalf of the Market Participant;
 - c. The applying Market Participant will maintain current written risk management policies and procedures that address those risks that could materially affect the applying Market Participant’s ability to pay its SPP invoices when due;
 - d. The applying Market Participant has available appropriate personnel resources, operating procedures, and technical abilities to promptly and effectively respond to SPP communications and directions related to, but not limited to, settlements, billing, credit requirements and other financial matters;
 - e. The applying Market Participant will maintain the minimum capitalization or alternate capitalization requirements set forth in Section 3.1.1.8 of this Attachment X; and
 - f. Certifying that the Market Participant meets the minimum criteria for market participation set forth in Section 3.1.1.8.

Such attestation shall be renewed and updated for each successive year of market participation, and shall be submitted to SPP no later than April 30 of each year.

The applying Market Participant shall be declined participation in all SPP markets if: (i) the risk management capabilities of the applying Market Participant are deemed insufficient by SPP for the type of service that will be undertaken, (ii) SPP determines that the applying Market Participant does not meet the minimum criteria for market participation, (iii) the attestation is deemed insufficient by SPP to determine the risk management capabilities of the applying Market Participant, or (iv) the attestation is deemed insufficient by SPP to determine whether the applying Market Participant meets the minimum criteria for market participation. An applying Market Participant will have two (2) Business Days

from receipt of notice from SPP that its attestation was deemed insufficient to cure any deficiency identified by SPP prior to being declined participation in SPP markets.

3.1.1.7 Additional Information. At any time and from time to time, SPP may request such additional information as SPP determines is necessary and appropriate for the Credit Assessment and the Credit Customer shall timely provide such additional information. At any time, the Credit Customer may provide SPP with additional information that the Credit Customer considers relevant to the Credit Assessment.

3.1.1.8 Minimum Criteria for Market Participation.

3.1.1.8.1 Minimum Eligibility Requirements

In order to be eligible to transact in the Integrated Marketplace, each Market Participant must demonstrate to SPP that it qualifies as one of the following:

- a. An “appropriate person,” as defined under Section 4(c)(3)(A) through (J) of the Commodity Exchange Act (7 U.S.C. § 6(c)(3)(A) through (J)). A Market Participant may qualify as an “appropriate person” by providing either: (i) an unlimited Corporate Guaranty in a form acceptable to SPP as described in Article 6 of this Attachment X and Appendix D of this Attachment X from an entity that demonstrates to SPP that it has in excess of \$1 million of total net worth or in excess of \$5 million of total assets per Market Participant for which that guarantor has issued an unlimited Corporate Guaranty, or (ii) an Irrevocable Letter of Credit or Surety Bond in an amount of \$5 million or greater that the Market Participant acknowledges is separate from, and cannot be applied to

meet, its credit requirements under this Attachment X.

- b. An “eligible contract participant,” as defined in Section 1a(18) of the Commodity Exchange Act (7 U.S.C. § 1a(18)) and in the Commodity Futures Trading Commission’s regulation 1.3(m) (17 C.F.R. § 1.3(m))

- c. A person or entity that is in the business of:
(1) generating, transmitting or distributing electric energy or (2) providing electric services that are necessary to support the reliable operation of the transmission system (78 Fed. Reg. 19880, page 19914).

For purposes of meeting the minimum criteria for market participation under this Credit Policy, SPP shall accept annual audited Financial Statements prepared according to either United States Generally Accepted Accounting Principles (US GAAP) or International Financial Reporting Standards (IFRS).

If a Market Participant is unable to meet the minimum eligibility requirements for market participation set forth in this Section 3.1.1.8.1, the Market Participant shall immediately notify SPP and immediately cease conducting transactions in the Integrated Marketplace. When SPP receives such notification from a Market Participant or determines that a Market Participant does not meet the minimum eligibility requirements set forth in this Section 3.1.1.8.1, SPP shall immediately terminate that Market Participant’s transaction rights in the Integrated Marketplace.

In the event that a Market Participant is no longer able to demonstrate that it meets the minimum eligibility requirements set forth in this Section 3.1.1.8.1, and possesses, obtains, or has rights to possess or obtain any open or forward position in

the Integrated Marketplace, SPP may take any action it deems necessary with respect to such open or forward positions. Such action may include but is not limited to, liquidation, transfer, assignment, or sale. The Market Participant will be entitled to any positive market value of such positions, net of any obligations due to SPP, notwithstanding its ineligibility to participate in the Integrated Marketplace. Nothing in this paragraph shall restrict SPP's ability to enforce SPP's rights to pursue and collect any amounts Market Participants may owe to SPP.

3.1.1.8.2 Minimum Capitalization Requirements

Each Market Participant that meets the minimum eligibility requirements in Section 3.1.1.8.1 shall also, at a minimum, possess:

- a. A Tangible Net Worth of One Million Dollars (\$1,000,000) for a Market Participant not transacting in the Transmission Congestion Rights market or a Tangible Net Worth of Ten Million Dollars (\$10,000,000) that does not include cash deposits held at any other Independent System Operator or Regional Transmission Organization, including, without limitation, the Electric Reliability Council of Texas, Inc., the Alberta Electric System Operator, and the Independent Electricity System Operator, for a Market Participant transacting in the Transmission Congestion Rights market as evidenced in the most recent fiscal year end audited financial statements as described in Section 3.1.1.1; or
- b. Ten Million Dollars (\$10,000,000) in assets for a Market Participant not transacting in the Transmission Congestion Rights market or Twenty Million Dollars (\$20,000,000) in assets that does not include cash deposits held at any other Independent System Operator or Regional Transmission Organization, including, without limitation, the Electric Reliability Council of Texas,

- Inc., the Alberta Electric System Operator, and the Independent Electricity System Operator, for a Market Participant transacting in the Transmission Congestion Rights market as evidenced in the most recent fiscal year end audited financial statement as described in Section 3.1.1.1; or
- c. A Credit Rating of, or equivalent to, BBB-; or
 - d. A Guaranty as described in Article Six of this Attachment X, and approved by SPP, through which the audited financials or Credit Rating of the Guarantor is used to meet at least one of the alternatives specified in (a) through (c) above; or
 - e. In the event a Market Participant cannot meet at least one of the alternatives specified in (a) through (d) above, the Market Participant shall, at a minimum, deposit with SPP Two Hundred Thousand Dollars (\$200,000) in Financial Security to be segregated and unavailable to secure any market or transmission activity. A Market Participant transacting in the Transmission Congestion Rights market who cannot meet at least one of the alternatives specified in (a) through (d) above shall, at a minimum, deposit with SPP Two Million Dollars (\$2,000,000) in Financial Security to be segregated and unavailable to secure any market or transmission activity. Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five and Article Five A, of the Market Participant exceeds One Hundred Thousand Dollars (\$100,000) in Market Exposure and/or Total TCR Credit Requirement, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4.

If the applying Market Participant is unable to meet the applicable minimum capitalization requirements in this Section 3.1.1.8.2, the applying Market

Participant shall be declined participation in the applicable SPP markets.

Failure at any time of a Market Participant to continue to satisfy these minimum capitalization requirements in this Section 3.1.1.8.2 shall be deemed a Material Adverse Change pursuant to Section 3.2.7.

3.1.1.9 Minimum Criteria and Risk Management Verification Process

Through a periodic compliance verification process, SPP shall review and verify Market Participants' eligibility for market participation based upon SPP's minimum criteria for market participation, risk management policies, practices, and procedures pertaining to the Market Participants' activities in the SPP markets. Such review shall include verification that:

1. The risk management framework is documented in a risk policy addressing market, credit, and liquidity risks;
2. The Market Participant maintains an organizational structure with clearly defined roles and responsibilities that clearly segregates trading and risk management functions;
3. There is clarity of authority specifying the types of transactions into which traders are allowed to enter;
4. The Market Participant has requirements that traders have adequate training or expertise relative to their authority in the systems and SPP markets in which they transact;
5. As appropriate, risk limits are in place to control risk exposures;
6. Reporting is in place to ensure that risks and exceptions are adequately communicated throughout the organization;
7. Processes are in place for qualified independent review of trading activities; and
8. As appropriate, there is periodic valuation or mark-to-market of risk positions.
9. The Market Participant meets the minimum participation criteria, including capitalization requirements, set forth in Section 3.1.1.8.

SPP may select Market Participants for review on a random basis and/or based on identified risk factors such as, but not limited to, the SPP markets in which the Market Participant is transacting, the magnitude of the Market Participant's transactions, or the volume

of the Market Participant's open positions. Those Market Participants notified by SPP that they have been selected for review shall, upon fourteen (14) calendar days notice, provide a copy of their current governing risk control policies, procedures, and controls applicable to their SPP market activities and shall also provide such further information or documentation pertaining to the Market Participants' activities in the SPP markets as SPP may reasonably request. Market Participants selected for risk management verification through a random process and satisfactorily verified by SPP shall be excluded from such verification process based on a random selection for the subsequent two years. SPP shall annually randomly select for review no more than twenty percent (20%) of the Market Participants.

Each selected Market Participant's continued eligibility to participate in the SPP markets is conditioned upon SPP notifying the Market Participant of successful completion of SPP's verification, provided, however, that if SPP notifies the Market Participant in writing that it could not successfully complete the verification process, SPP shall allow such Market Participant fourteen (14) calendar days to provide sufficient evidence for verification prior to declaring the Market Participant as ineligible to continue to participate in SPP's markets, which declaration shall be in writing with an explanation of why SPP could not complete the verification. If, prior to the expiration of such fourteen (14) calendar days, the Market Participant demonstrates to SPP that it has filed with the Federal Energy Regulatory Commission an appeal of SPP's risk management verification determination, then the Market Participant shall retain its transaction rights, pending the Commission's determination on the Market Participant's appeal. SPP may retain outside expertise to perform the review and verification function described in this section. SPP and any third party it may retain will treat as confidential the documentation provided by a Market Participant under this section, consistent with the applicable provisions of the Tariff.

3.1.2 Rating Agency Information. In the initial Credit Assessment and in subsequent and ongoing assessments, SPP will consider Rating Agency reports applicable to the Credit Customer. This review will be focused on the Credit Customer's unsecured, senior long-term debt ratings. If these ratings are not available, SPP will consider issuer ratings.

3.1.3 Power Supply Agent Disclosure Requirements. A Not-For-Profit Credit Customer may request that its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of revenue bonds issued by the Not-For-Profit Credit Customer when such revenue bonds are issued solely in support of the Not-For-Profit Credit Customer's role as power supply agent for not-for-profit electric distribution utilities. In support of such request, the Not-For-Profit Credit Customer must provide SPP with the following information:

- (a) 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 SPP 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 Not-For-Profit Customer has not granted any lien thereon prior to the lien of the bond resolution.

- (b) Opinion of counsel stating:
 - (i) The power supply contracts are binding obligations of the Not-For-Profit Credit Customer 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) All amounts payable to SPP arising from transactions under this Tariff are operating expenses for purposes of the revenue bonds.

- (c) All Rating Agency ratings on revenue bond(s).

The opinion of counsel referenced above shall be provided to SPP together with copies of the most recent written opinions of counsel, if any, for each member of the Not-For-Profit Credit Customer that relate to the enforceability of the power supply contract(s).

3.1.4 Guaranties. If the Credit Customer proposes a Guaranty to establish, contribute to, or maintain an Unsecured Credit Allowance, Credit Information required under Section 3.1.1 must be submitted with respect to both the Credit Customer and the proposed Guarantor.

3.2. Annual and Other Ongoing Credit Assessments.

3.2.1 Purpose of Annual and Other Ongoing Credit Assessments. At least once annually, SPP will review and update its Credit Assessment for each Credit Customer. This will include a review of the Credit Customer's creditworthiness and consideration of revisions of the Credit Customer's (a) Unsecured Credit Allowance; (b) Financial Security requirements; and (c) Total Credit Limit. In its sole discretion, SPP may conduct additional reviews and updates, including reviews in response to new facts or occurrences that may bear upon the Credit Customer's creditworthiness. Unless otherwise stated, all annual information required under Section 3.2 shall be provided to SPP no later than 120 days after the end of the Credit Customer's fiscal year.

3.2.2 Procedures for Posting Additional Financial Security or Taking Other Corrective Measures. In the event a Credit Customer experiences a Material Adverse Change, SPP may invoke its right to require the Credit Customer to post additional Financial Security, cease one or more transactions, or take other measures to restore confidence in the Credit Customer's ability to transact safely. In addition, based upon the annual or other Credit Assessment, SPP may, at any time, revise any (a) Unsecured Credit Allowance; (b) Financial Security requirements; and (c) Total Credit Limit, applicable to the Credit Customer. If SPP has upwardly revised the required amount of Financial Security, the Credit Customer will have two (2) Business Days from receipt of the notice from SPP to provide the required Financial Security, in an amount and form acceptable to SPP. Failure to provide additional required Financial Security shall be a Default under this Credit Policy and a default under the Tariff.

3.2.3 Rating Agency Information. The Credit Customer will give notice to SPP of any changes to its Credit Ratings within five (5) Business Days of the announcement of the change.

3.2.4 Financial Statements. On an annual basis, and except as otherwise stated with respect to quarterly reports, each Credit Customer must provide SPP with updated Financial Statements within ten (10) days after they become available, and in no event later than 120 days after the end of the Credit Customer's fiscal year. Quarterly reports must be provided quarterly, within ten (10) days after they become available. Financial Statements may be submitted in the manner provided under Section 3.1.1.1.

3.2.5 Power Supply Agent Disclosure Requirements. A Not-For-Profit Credit Customer that initially qualified to have its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of revenue bonds issued by the Not-For-Profit Credit 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 Not-For-Profit Credit Customer when such revenue bonds are issued solely in support of the Not-For-Profit Credit Customer's role as power supply agent for not-for-profit electric distribution utilities, must at all times comply with the following information reporting requirements:

- (a) The Not-For-Profit Credit Customer must advise SPP of the principal amount of revenue bonds outstanding on an annual basis;
- (b) The Not-For-Profit Credit Customer must advise SPP 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 Not-For-Profit Credit Customer;
- (c) The Not-For-Profit Credit Customer must advise SPP immediately if the security interest of the trustee is released or the Not-For-Profit Credit Customer grants any lien prior to the lien of the bond resolution; and
- (d) The Not-For-Profit Credit Customer must advise SPP within ten (10) days of any downgrade of any of the Not-For-Profit Credit Customer's revenue bond ratings issued by a Rating Agency.

3.2.6 Other Credit Information. On an annual basis, each Credit Customer must provide SPP with the information specified in Section 3.1.1.3 (Loss Contingencies), 3.1.1.4 (Affiliates), 3.1.1.6 (Additional Information).

3.2.7 Material Adverse Changes. Each Credit Customer must give SPP notice of any Material Adverse Change in its financial condition (and, as applicable, the financial condition of its Guarantor) within two (2) Business Days of the occurrence of the Material Adverse Change. If a Credit Customer or Guarantor files a Form 10-K, Form 10-Q, or Form 8-K with the SEC, notice of such filing, timely delivered to SPP in accordance herewith, will suffice on the condition that such notice states that the filing addresses a Material Adverse Change.

A Material Adverse Change in financial condition includes any Material change in operations or financial condition that a reasonable examiner of creditworthiness would deem material to decisions concerning the extension of credit, including but not limited to, any of the following (“Material Adverse Change”):

- a. A downgrade of any debt rating or issuer rating, or change in the outlook of any Credit Rating, including debt rating or issuer rating;
- b. Any placement on a credit watch with negative implication by a Rating Agency;
- c. The filing of a lawsuit or initiation of an arbitration, investigation or other proceeding (including regulatory proceeding) which if decided adversely could have a Material effect on any current or future financial results or financial condition;
- d. The merger, acquisition or any other form of business combination involving the credit customer.
- e. Any adverse changes in financial condition which, individually, or in the aggregate, are Material;
- f. Any adverse changes, events or occurrences which, individually or in the aggregate, could affect the ability of the Credit Customer 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;
- g. Discovery or disclosure of conflict of interest issues;
- h. Resignation or removal of a key officer or director;

- i. Any action requiring the filing of a Form 8-K;
- j. Any report of a quarterly or annual loss or a decline in earnings of ten (10) percent or greater compared to the prior period;
- k. Any restatement of prior financial statements; and
- l. Failure of a Market Participant to continue to satisfy the minimum capitalization criteria for market participation specified in 3.1.1.8.2.

3.2.7.1 Notification of a Material Adverse Change by SPP to a Credit Customer. Upon the occurrence of a Material Adverse Change and prior to SPP compelling a Credit Customer to post additional Financial Security, cease one or more transactions, or take other measures to restore confidence in the Credit Customer's ability to transact business safely as a result of any Material Adverse Change, SPP shall provide, when feasible, reasonable advance notice in writing, by fax, electronic mail, hand delivery, reputable overnight courier, or first-class mail, to the Credit Contact designated by the Credit Customer pursuant to Section 9.1 of this Credit Policy. If delivery to the Credit Contact fails, then SPP may effect delivery to any officer, executive, or manager of the Credit Customer. Such notice shall identify the reasoning behind the invocation of the Material Adverse Change clause and be signed by an authorized representative of SPP.

3.2.8 Affiliates. Each Credit Customer must identify all Affiliates that are Credit Customers.

3.2.9 Additional Information. At any time and from time to time, SPP may request such additional information as SPP determines is necessary and appropriate for the Credit Assessment and the Credit Customer shall timely provide such additional information. At any time, the Credit Customer may provide SPP with additional information that the Credit Customer considers relevant to the Credit Assessment.

3.2.10 Guaranties. If the Credit Customer relies upon a Guaranty to maintain an Unsecured Credit Allowance, Credit Information required under Section 3.2 must be submitted with respect to both the Credit Customer and the Guarantor.

3.2.11 Alternate Requirements. For Not-For-Profit Credit Customers, some of the above financial submittals may not be applicable, and alternate requirements may be specified by SPP.

3.2.12 In the credit evaluation of Not-For-Profit Credit Customers, SPP may request additional information as part of the overall financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3.3 SPP Rights to Use Other Information. Notwithstanding any provision of this Credit Policy, SPP shall have the right to utilize, in a Credit Assessment, any information of which it is aware concerning the Credit Customer.

3.4 Positive Material Change in Financial Condition of the Credit Customer. If there is a positive Material change in the financial condition of the Credit Customer, a significant reduction in the Total Potential Exposure of the Credit Customer, or any other change that the Credit Customer believes may warrant an increase in the Credit Customer's Unsecured Credit Allowance and/or a reduction in the Financial Security required of the Credit Customer, the Credit Customer may make a written request to SPP to update the Credit Assessment and include or refer to any supporting information. SPP may request any Credit Information described in Section 3.2 to evaluate the merit of the Credit Customer's request. SPP anticipates that it will respond to the Credit Customer's request within a reasonable period of time, generally within ten (10) Business Days after receiving all information that is required for an ongoing review as required in this Article.

ARTICLE FOUR

Creditworthiness and Total Credit Limit

- 4.1 Creditworthiness Overview.** SPP will establish a Total Potential Exposure for each Credit Customer based on the Credit Customer's estimated cumulative financial obligation arising under the Tariff or otherwise to SPP, excluding Transmission Congestion Rights activity, as provided in Article 5. The Total Potential Exposure is the amount that the Credit Customer must support with credit. Transmission Congestion Rights activity must be supported with Financial Security as provided in Article 5A. The credit will consist of a combination of the Unsecured Credit Allowance and Financial Security, or either of them. SPP will determine the Credit Customer's Unsecured Credit Allowance based upon the Composite Credit Score. The Composite Credit Score, as defined herein, is a determination of financial strength and creditworthiness, based upon the Credit Assessment. Where Credit Customers are Affiliates of each other, an aggregate Unsecured Credit Allowance will be established for the Affiliates, as provided below. If the Credit Customer's Unsecured Credit Allowance is less than its Total Potential Exposure, the Credit Customer will be required either to establish additional credit in the amount of the difference by posting Financial Security or to decrease its Total Potential Exposure. A Credit Customer's total credit with SPP, consisting of the Unsecured Credit Allowance and any Financial Security, is the Credit Customer's Total Credit Limit. A Credit Customer may provide additional Financial Security at any time to increase or maintain its Total Credit Limit, for example, in order to increase its Total Potential Exposure or to compensate for a reduction in its Unsecured Credit Allowance.
- 4.2 Composite Credit Score.** The "Composite Credit Score" is the numerical result of SPP's scoring process based upon various quantitative and qualitative predictors of creditworthiness as set forth in this Section. The results are scaled from one (1) to six (6) with one (1) being the strongest score and six (6) being the weakest. Key factors in the scoring process include financial ratios, years in business, and Credit Ratings. SPP will apply all measures used to determine Composite Credit Scores in a consistent manner. The respective models SPP will use to determine the Composite Credit Score for Large Company Credit Customers, Small Company Credit Customers, and Not-For-Profit Credit Customers are set forth in this Section.
- 4.2.1 Large Company Credit Scoring.** The Large Company Credit Customer model will be utilized for Credit Customers with net fixed assets equal to or in excess of \$250 million ("Large Company Credit Customers" or "Large Company"). The Large Company Credit Score will be comprised of a Quantitative Score and a Qualitative Score. Each score is then weighted as shown below to build a Composite Credit Score.

Large Company Analysis	Weight
Quantitative Score	70%
Qualitative Score	30%

4.2.1.1 Quantitative Score. The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Large-Company Credit Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures are used:

- a. Current Ratio—Current Assets/Current Liabilities
- b. EBIT Interest Coverage—(Interest Expense + Income Taxes + Net Income) / Interest Expense
- c. Total Debt to Total Capitalization (“TD/TC”)—(Long Term Debt + Current Portion + Other Short Term Borrowings) / (Total Debt + Preferred Equity + Common Equity)
- d. Funds from Operations (“FFO”) to Total Debt—(Cash from Operating Activities - Changes in Operating Assets and Liabilities) / (Long Term Debt + Current Portion + Other Short Term Borrowings)

The measures are then assessed as follows to calculate the total Quantitative Score:

Scale	Current	EBIT Interest	TD/TC	FFO to Total Debt
1	>1.34	>4.99	<.30	>.350
2	1.15 – 1.34	3.50 – 4.99	.30 - .39	.271 - .350
3	1.00 – 1.14	2.50 – 3.49	.40 - .49	.181 - .270
4	0.85 – 0.99	2.00 – 2.49	.50 - .59	.120 - .180
5	0.70 – 0.84	1.25 – 1.99	.60 - .69	.070 - .119
6	<0.70	<1.25	>.69	<.070

The measures are weighted as follows:

Large Company Financial Ratios	Weight
Current Ratio	10%
EBIT Interest Coverage	25%
Total Debt to Total Capitalization	25%
FFO to Total Debt	<u>40%</u>
	100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to

that ratio or ratios will be allocated equally among the remaining ratios.

4.2.1.2 Qualitative Score. The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer’s creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

- Management
- Regional / Commodity Diversity
- Physical Liquidity
- Financial Liquidity
- Quality of Equity
- Volatility of Earnings
- Regulation/Rates
- Senior Unsecured Debt Rating
- SPP Payment Record
- Risk Procedures

4.2.1.3 Composite Credit Score. The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:

Large Company Qualitative Score = 4.0

Large Company Financial Measures:

	Value	Score	Weight
Current Ratio	.82	5	10%
EBIT Interest Coverage	2.08	4	25%
Total Debt to Total Capitalization	.63	5	25%
FFO to Total Debt	.17	4	40%

Large Company Quantitative Score =
 $(5 \times 10\%) + (4 \times 25\%) + (5 \times 25\%) + (4 \times 40\%) = 4.35$

Large Company Credit Score = $(4.35 \times 70\%) + (4 \times 30\%) = 4.25$

4.2.2 Small Company Credit Scoring. The Small Company model will be utilized for Credit Customers with net fixed assets less than \$250 million (“Small Company Credit Customers” or “Small Company”). The Small Company Composite Credit

Score will be comprised of a Quantitative Score and a Qualitative Score. Each score is then weighted as shown below to build a Composite Credit Score.

Small Company Analysis	Weight
Quantitative Score	70%
Qualitative Score	30%

4.2.2.1 Quantitative Score. The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Small Company Credit Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures are used:

- a. Current Ratio—Current Assets/Current Liabilities
- b. EBIT Interest Coverage—(Interest Expense + Income Taxes + Net Income) / Interest Expense
- c. Total Liabilities to Total Net Worth (“TL/TNW”)—(Total Liabilities) / (Total Equity-Intangibles-Treasury Stock)
- d. Funds from Operations (“FFO”) to Total Debt—(Cash from Operating Activities - Changes in Operating Assets and Liabilities) / (Long Term Debt + Current Portion + Other Short Term Borrowings)
- e. Return on Assets (“ROA”)—Net Income / Total Assets

The values are then assessed as follows to calculate the total Quantitative Score:

Scale	Current	EBIT Interest	TL/TNW	FFO to Total Debt	ROA
1	>2.50	>4.99	<0.40	>.350	>.120
2	1.75 – 2.50	3.50 – 4.99	0.40 - 0.70	.271-.350	.100 - .120
3	1.40 – 1.74	2.50 – 3.49	0.71 – 1.49	.181 - .270	.075 - .099
4	1.15 – 1.39	2.00 – 2.49	1.50 – 2.25	.120 - .18	.045 - .074
5	1.00 – 1.14	1.25 – 1.99	2.26 – 4.00	.070 - .119	.015 - .044
6	<1.00	<1.25	>4.00	<.070	<.015

The measures are weighted as follows:

Small Company Financial Ratios	Weight
Current Ratio	25%
EBIT Interest Coverage	10%
Total Liabilities / Total Net Worth	25%

FFO to Total Debt	15%
ROA	<u>25%</u>
	100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to that ratio or ratios will be allocated equally among the remaining ratios.

4.2.2.2 Qualitative Score. The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer’s creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

- Management
- Regional / Commodity Diversity
- Physical Liquidity
- Financial Liquidity
- Quality of Equity
- Volatility of Earnings
- Regulation/Rates
- Peer Comparison using SIC codes
- Senior Unsecured Debt Rating
- SPP Payment Record

4.2.2.3 Composite Credit Score. The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:

Small Company Qualitative Score = 4

Small Company Financial Measures:

	Value	Score	Weight
Current Ratio	1.10	5	25%
EBIT Interest Coverage	1855.00	1	10%
Total Liabilities / Total Net Worth	2.47	5	25%
FFO to Total Debt	0.03	6	15%
ROA	0.02	5	25%

Small Company Quantitative Score =
 $(5 \times 25\%) + (1 \times 10\%) + (5 \times 25\%) + (6 \times 15\%) + (5 \times 25\%) = 4.75$

$$\text{Small Company Credit Score} = (4.75 \times 70\%) + (4 \times 30\%) = 4.53$$

4.2.3 Not-For-Profit Credit Scoring. The Not-For-Profit model will be utilized for Credit Customers who are not structured to generate profits for investors (“Not-For-Profit Credit Customers” or “Not-For-Profit”), including electric cooperatives, municipalities, and government agencies. The Not-For-Profit Composite Credit Score will be comprised of a Quantitative Score and a Qualitative Score. The lower of the Composite Credit Score calculated using two alternative weights for the Quantitative Score and the Qualitative Score as shown below shall be used in determining the allocation of the Not-For-Profit Credit Customer’s Unsecured Credit Allowance.

Not For Profit Credit Customer Analysis	Weight	
	Alternative 1	Alternative 2
Quantitative Score	40%	50%
Qualitative Score	60%	50%

4.2.3.1 Quantitative Score. The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Not-For-Profit Credit Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures, or their substantive equivalents for not-for-profit entities, are used:

- a. Current Ratio (“CR”)—Current Assets / Current Liabilities
- b. Debt Service Coverage (“DSC”)—(Operating Income + Interest Expense + Depreciation + Interest Income + Cash Portion of Capital Credits - Onetime Charges)/(Interest Expense + Debt Amortization)
- c. Times Interest Earned Ratio (“TIER”)—(Interest Expense + Patronage Capital or Margins or Changes in Net Assets) / (Interest Expense)
- d. Total Debt to Total Capitalization (“TD/TC”)—(Long Term Debt + Current Portion + Other Short Term Borrowings) / (Total Debt + Preferred Equity + Common Equity). Members’ Equity could also be called Net Assets or Patronage Capital.

The values are then assessed as follows to calculate the total Quantitative Score:

Not-For-Profit Credit Customer Model Ratio Scales

Scale	CR	DSC	TIER	TD/TC
1	>1.34	>1.99	>2.00	<.50
2	1.15 – 1.34	1.50 – 1.99	1.50 – 2.00	.51 - .74
3	1.00 – 1.14	1.00 – 1.49	1.00 – 1.49	.75 - .85
4	0.85 – 0.99	0.80 – 0.99	0.80 – 0.99	.86 - .93
5	0.70 – 0.84	0.60 – 0.79	0.50 – 0.79	.94 - .99
6	<0.70	<0.60	<0.50	>.99

The measures are weighted as follows:

Not-For-Profit Credit Customer Financial Ratios		Weight
Current Ratio		15%
Debt Service Coverage		35%
Times Interest Earned Ratio		20%
Total Debt / Total Capitalization		<u>30%</u>
		100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to that ratio or ratios will be allocated equally among the remaining ratios.

4.2.3.2 Qualitative Score. The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer’s creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

- Regulation/Rates
- Terms of wholesale power contracts
- Customer count served
- Power supply portfolio (e.g., contracts, assets, etc)
- Management
- Ability to access short-term capital
- Senior Unsecured Debt Rating
- SPP Payment Record

4.2.3.3 Composite Credit Score. The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:
Not-For-Profit Qualitative Score = 2

Not-For-Profit Financial Measures:

	Value	Score	Weight
Current Ratio	1.42	1	15%
Debt Service Coverage	1.17	3	35%
Times Interest Earned Ratio	0.73	5	20%
Total Debt / Total Capitalization	1.50	6	30%

Not-For-Profit Quantitative Score =
(1 x 15%) + (3 x 35%) + (5 x 20%) + (6 x 30%) = 4.00

Not-For-Profit Credit Score =
(4.00 x 40%) + (2.0 x 60%) = 2.80 using Alternative 1, or;

(4.00 x 50%) + (2.0 x 50%) = 3.00 using Alternative 2.

The lower Composite Credit Score resulting from utilizing the two alternatives is 2.80, so it will be the Composite Credit Score used in allocating this Not-For-Profit Credit Customer’s Unsecured Credit Allowance as described in Section 4.3 below.

4.3 Unsecured Credit Allowance.

The Composite Credit Score is converted into an “Unsecured Credit Allowance,” which is a percentage of Tangible Net Worth. (Tangible Net Worth = Total Equity – Intangibles – Treasury Stock). The Composite Credit Score is a numeric value on a scale of one (1) to six (6) with one (1) indicating stronger creditworthiness and six (6) indicating weaker creditworthiness. The conversion into an Unsecured Credit Allowance is based on the percentage values stated in Table 1.

Table 1

Composite Credit Score	% Tangible Net Worth Small Company Model	% Tangible Net Worth Large Company Model	% Tangible Net Worth Not For Profit Model
1.00 - 1.99	5.00%	5.00%	7.500%
2.00 - 2.99	3.00%	3.00%	4.500%
3.00 - 3.59	2.00%	2.00%	3.000%
3.60 - 4.39	0.75%	0.75%	1.125%
4.40 - 4.99	0.25%	0.25%	0.375%
5.00 - 6.00	0%	0%	0.000%

To illustrate, a Large Company Credit Customer with a Composite Credit Score of 4.36 and Tangible Net Worth of \$501,468,000 would have a suggested Unsecured Credit Allowance calculated as follows:

$$\begin{aligned}\text{Unsecured Credit Allowance} &= \text{Table 1 Percentage} \times \text{Tangible Net Worth} \\ &= 0.75\% \times \$501,468,000 \\ &= \$3,761,010\end{aligned}$$

4.3.1 Revenue Bond Adjustment to Tangible Net Worth Value for Power Supply Agents. For Not-For-Profit Credit Customers 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 3.1.3 of this Credit Policy and (ii) Section 3.2.5 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 Not-For-Profit Credit Customer met all of the disclosure requirements for power supply agents, had a Tangible Net Worth of \$2,000,000, and had \$8,000,000 principal amount of revenue bonds outstanding, the adjusted Tangible Net Worth to be used in computing the suggested Unsecured Credit Allowance would be \$10,000,000 (the sum of the adjusted Tangible Net Worth and the principal amount of revenue bonds outstanding as of the date of the calculation).

4.3.2 Maximum and Minimum Unsecured Credit Allowances. Notwithstanding the calculation under Section 4.3:

4.3.2.1 No Credit Customer shall have an Unsecured Credit Allowance in excess of \$50 million; and

4.3.2.2 On the condition that a Not-For-Profit provides all required Credit Information and executes all documents required under this Credit Policy, and subject to the Default provisions of this Credit Policy, a Not-For-Profit Credit Customer shall have a minimum Unsecured Credit Allowance in the amount of \$250 thousand.

4.3.3 Guaranty. In the event that the Credit Customer has a Guaranty, the Unsecured Credit Allowance will be based on the Credit Assessments of the Credit Customer and the Guarantor.

4.3.4 Unsecured Credit Allowance for Affiliates.

4.3.4.1 Determination of Creditworthiness of Combined Affiliates. If two or more Credit Customers are Affiliates, and each is granted an Unsecured Credit Allowance and a corresponding Total Credit Limit, SPP will consider the overall creditworthiness of the Affiliated Credit Customers when determining the Unsecured Credit Allowances in order not to grant more unsecured credit than the overall group of affiliated entities could support. SPP will work with Affiliated Credit Customers to allocate the total Unsecured Credit Allowance among the Affiliates while assuring that no individual Credit Customer, nor common guarantor, exceeds the Unsecured Credit Allowance appropriate for its credit strength. A \$50 million maximum Unsecured Credit Allowance shall apply to all Affiliates as though the Affiliates are a single Credit Customer.

Example: Credit Customers A and B each have a \$10.0 million Guaranty from their common parent, a holding company with an Unsecured Credit Allowance calculation of \$12.0 million. SPP may limit the Unsecured Credit Allowance for each Credit Customer to \$6.0 million, so the total Unsecured Credit Allowance does not exceed the corporate total of \$12.0 million.

4.3.4.2 Guaranty. If the Guaranty is applicable to Affiliates (i.e., more than one Credit Customer), then the Unsecured Credit Allowance of the Guarantor shall be allocated among such Affiliates and the applicable allocation shall be utilized in determining each Affiliated Credit Customer's Unsecured Credit Allowance.

4.3.5 Continuous Right to Modify. SPP 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 Credit Customer's ability to pay for Transmission Service and any market services SPP may provide. 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, then the rights and duties of SPP and the Credit Customer shall be as set forth in Section 3.2.2.

4.4 Financial Security Requirement. If a Credit Customer (i) is denied an Unsecured Credit Allowance, or (ii) is granted an Unsecured Credit Allowance that is below its Total Potential Exposure calculated pursuant to Article 5, then the Credit Customer may submit Financial Security to cover or exceed the difference in the amount of the Unsecured Credit Allowance granted to the Credit Customer and the amount of its Total Potential Exposure. A Credit Customer electing to satisfy the alternative criteria for market participation specified in Section 3.1.1.8.2(e) and whose anticipated or actual market activity, as determined in Article Five and Article Five A, exceeds One Hundred Thousand Dollars (\$100,000) in Market Exposure and/or Total TCR Credit Requirement

shall provide Financial Security that is twice the amount calculated to satisfy its Financial Security Requirement pursuant to this Section 4.4. Any Credit Customer may provide Financial Security in lieu of or in addition to the Unsecured Credit Allowance it was granted. Upon the Credit Customer's request, SPP shall provide a written explanation of how it determined the amount of required Financial Security for that Credit Customer. A Credit Customer also is required to submit Financial Security to cover or exceed its Total TCR Credit Requirement pursuant to Section 5A.8.

- 4.5 Total Credit Limit.** The "Total Credit Limit" is the amount of any Unsecured Credit Allowance approved by SPP for the Credit Customer, plus the amount of any Financial Security the Credit Customer has provided to SPP. SPP shall determine the Total Credit Limit for each Credit Customer. Upon the Credit Customer's request, SPP shall provide a written explanation of how it determined the Unsecured Credit Allowance and the amount of required Financial Security for that Credit Customer. SPP will respond to the Credit Customer's request within five (5) Business Days.

ARTICLE FOUR A

Virtual Energy Bids and Virtual Energy Offers

4A.1 Overview.

4A.1.1 Virtual Energy Bids and Virtual Energy Offers create potential exposure of non-payment, and therefore, have a credit requirement. SPP does not require the Credit Customer to segregate, allocate, or reserve a portion of its Total Credit Limit to support its Virtual Energy Bids and Virtual Energy Offers in the Day-Ahead Market. However, SPP analyzes the Credit Customer's Virtual Energy Bids and Virtual Energy Offers to determine if the Credit Customer has credit available to support its Virtual Energy Bids and Virtual Energy Offers at the time the Bids or Offers are submitted. Only the Virtual Energy Bids and Virtual Energy Offers that the Credit Customer has credit available to support will be credit approved for the Day-Ahead Market.

4A.1.2 In its analysis, SPP will calculate the Estimated Virtual Exposure ("EVE") based on the Credit Customer's Virtual Energy Bids and Virtual Energy Offers. Using the EVE, SPP will determine if the Credit Customer has available credit to support its Virtual Energy Bids and Virtual Energy Offers. After the close of the Day-Ahead Market for an Operating Day, the credit requirement associated with the Credit Customer's cleared Virtual Energy Bids and Virtual Energy Offers will be adjusted to reflect the actual megawatts that cleared.

4A.1.3 The total EVE for a Credit Customer includes both (i) the calculation of EVE for Virtual Energy Bids and Virtual Energy Offers prior to the close of the Day-Ahead Market; and (ii) the EVE calculations post Day-Ahead Market clearing updated to reflect the actual cleared Virtual Energy Bids and Virtual Energy Offers.

4A.1.4 This Article addresses the calculation of the EVE and the credit requirements associated with the submission of Virtual Energy Bids and Virtual Energy Offers in the Day-Ahead Market and the Virtual Energy Bids and Virtual Energy Offers that clear in the Day-Ahead Market.

4A.2 Calculation of Estimated Virtual Exposure (EVE) Prior to the Close of the Day-Ahead Market for an Operating Day. When a Virtual Energy Bid or Virtual Energy Offer is submitted, SPP will calculate the EVE using reference prices for the Virtual Energy Bid or Virtual Energy Offer and the maximum megawatts submitted. If multiple Virtual Energy Bids and Virtual Energy Offers are submitted in a single submission, the EVE will be calculated for the single submission as a whole. If a Virtual Energy Bid or Virtual Energy Offer contains multiple hours, all of the hours will be included in the EVE calculation. The EVE is calculated for the submittal of Virtual Energy Bids and Virtual Energy Offers. In the event that both a Virtual Energy Bid and Virtual Energy Offer are submitted in the same submission for the same node and same operating hour, the one with the higher dollar value will be used in the EVE calculation for that submission.

4A.2.1 For a given Virtual Energy Bid the Virtual Energy Bid EVE is the sum of (i) the product of the Virtual Energy Bid reference price for the Settlement Location of the Virtual Energy Bid times the maximum megawatt value of the submitted Bid curve plus (ii) the virtual transaction fee. For a given Virtual Energy Offer the Virtual Energy Offer EVE is the sum of (i) the product of the Virtual Energy Offer reference price for the Settlement Location of the Virtual Energy Offer times the maximum megawatt value of the submitted Offer curve plus (ii) the virtual transaction fee.

4A.2.1.1 If a Market Participant submits both a Virtual Energy Bid and a Virtual Energy Offer at the same location for the same hour, only the Virtual Energy Bid or Virtual Energy Offer with the greater EVE is included in the calculation of the EVE for the submission.

4A.2.1.2 The EVE for a single submission of Virtual Energy Bids and Virtual Energy Offers is equal to the sum of the hourly Virtual Energy Bid EVEs for each Virtual Energy Bid in the submission and the sum of the hourly Virtual Energy Offer EVEs in the submission, with the adjustment described in 4A.2.1.1 if both a Virtual Energy Bid and Virtual Energy Offer are received for the same location and hour. If Credit Customer cancels a Virtual Energy Bid or Virtual Energy Offer prior to the close of the Day-Ahead Market for the Operating Day for which it is submitted, the EVE associated with the canceled portion of the submission is removed from the calculation of the EVE for the submission.

4A.2.1.3 The Virtual Energy Bid reference price is based on the difference between the Day-Ahead Locational Marginal Prices and the Real-Time Locational Marginal Prices in the prior year, at each node. The Virtual Energy Bid reference price for a given day is the 97th percentile hourly difference from the same quarter in the previous year. For virtual transactions occurring in the first quarter of 2022, the calculation of the Virtual Energy Bid reference price will not include the hourly differences from the operating hours in February 12, 2021 through February 19, 2021.

4A.2.1.4 The Virtual Energy Offer reference price is based on the difference between the Real-Time Locational Marginal Price and the Day-Ahead Locational Marginal Price in the prior year, at each node. The Virtual Energy Offer reference price for a given day is the 97th percentile hourly difference from the same quarter in the previous year. For virtual transactions occurring in the first quarter of 2022, the calculation of the Virtual Energy Offer reference price will not include the hourly differences from the operating hours in February 12, 2021 through February 19, 2021.

4A.2.1.5 Calculation of Virtual Energy Bid and Virtual Energy Offer Reference Prices During the Initial Year of the Integrated Marketplace. During the initial year of the Integrated Marketplace, prior to the accumulation of complete Real-Time and Day-Ahead Locational Marginal Price data sufficient to calculate the Virtual Energy Bid and Virtual Energy Offer reference prices pursuant to sections 4A.2.1.3 and 4A.2.1.4, SPP shall use data representative of the expected Day-Ahead and Real-Time Market results based on simulations of the Day-Ahead Market or other available information.

4A.2.1.6 Calculation of Virtual Energy Bid and Virtual Energy Offer Reference Prices for New Settlement Locations. When a new Settlement Location is created and until actual Virtual Energy Bid and Virtual Energy Offer reference prices can be calculated pursuant to section 4A.2.1.3 and 4A.2.1.4 for that Settlement Location, SPP will use the system average virtual reference price. The system average virtual reference price for a given quarter is the mean of all of the Virtual Energy Bid and Virtual Energy Offer reference prices for that quarter.

4A.3 Determination of Credit Approved Virtual Energy Bids and Virtual Energy Offers.

4A.3.1 If the EVE for a submission of Virtual Energy Bids and Virtual Energy Offers is less than the Credit Customer's available credit, which is equal to the Credit Customer's Total Credit Limit less its Total Potential Exposure, then the submission is credit approved. Credit approved Virtual Energy Bids and Virtual Energy Offers, unless withdrawn will be included in the Day-Ahead Market.

4A.3.2 If the EVE for a submission of Virtual Energy Bids and Virtual Energy Offers is greater than the Credit Customer's available credit, which is equal to the Credit Customer's Total Credit Limit less its Total Potential Exposure, then the submission will be rejected. Rejected Virtual Energy Bids and Virtual Energy Offers will not be included in the Day-Ahead Market and will not affect the Total Potential Exposure calculation.

4A.3.3 Modifications to Virtual Energy Bids and Virtual Energy Offers prior to the close of the Day-Ahead Market for the Operating Day for which they were submitted will be evaluated using the same procedures. Modifications are evaluated based on their net credit impact. The EVE for the modified Virtual Energy Bids and Virtual Energy Offers submission will be revised to incorporate the modifications to the submission.

4A.3.3 The EVE for credit approved Virtual Energy Bids and Virtual Energy Offers submissions that have not yet settled or cleared in the Day-Ahead Market is

included in the Total Potential Exposure calculation as set forth in Article 5. Therefore, the determination of whether a Virtual Energy Bid and Virtual Energy Offer submission is credit approved will take into account the credit requirements for previously determined credit approved Virtual Energy Bids and Virtual Energy Offers.

- 4A.3.4** If a Credit Customer cancels a credit approved Virtual Energy Bid or Virtual Energy Offer submission prior to the close of the Day-Ahead Market for the Operating Day for which it is submitted, that Virtual Energy Bid or Virtual Energy Offer will no longer have a credit requirement associated with it and its EVE will be zero.
- 4A.4 Updated EVE Calculations Post Day-Ahead Market Clearing.** After clearing of the Day-Ahead Market for an Operating Day, the EVEs for credit approved Virtual Energy Bids and Virtual Energy Offers shall be updated to replace the maximum megawatts with the actual megawatts that cleared. If there are Virtual Energy Bids and Virtual Energy Offers that cleared at the same location, the megawatt amounts will be netted in the updated EVE calculation.

ARTICLE FIVE

Calculation of Total Potential Exposure

5.1 Overview. The Total Potential Exposure is a calculated value applied to assure that the Credit Customer engages in activities within its Total Credit Limit. The Total Potential Exposure is based on the Credit Customer's estimated cumulative financial obligation under the Tariff or otherwise to SPP, excluding TCR activity. Potential Exposure to non-payment is calculated separately for each applicable category of service and then summed together to obtain the amount of Total Potential Exposure. This Article addresses the calculation and use of the value for Total Potential Exposure. As explained in Article 5A, only Financial Security may be used for credit requirements associated with TCR activity.

5.2 Calculation of Total Potential Exposure for a Credit Customer. A Credit Customer's Total Potential Exposure shall be the sum of the potential exposure to non-payment for market transactions and Transmission Service transactions billed pursuant to the Tariff. Because only Financial Security may be used to satisfy the credit requirements associated with TCR activity, TCR activity is not included in the Total Potential Exposure determination, but is reflected in the determination of whether there is a Total Potential Exposure Violation.

5.2.1 Market Exposure ("ME"). Potential exposure to non-payment associated with market transactions in the Integrated Marketplace is calculated under the following formula:

$$ME = IMSC + CMSC + MEMERT + MEMEDA + EVE$$

IMSC = Invoiced Market Settlement Charges (all Real-Time Balancing Market and Day-Ahead Market, including virtual transaction activity, charges or credits that have been invoiced but not yet paid).

CMSC = Calculated Market Settlement Charges (all Real-Time Balancing Market and Day-Ahead Market, including virtual transactions, daily settlement activity, including charges or credits, that has been calculated but not yet invoiced).

MEMERT = Maximum Estimated Market Exposure for Real-Time Balancing Market activity shall be the greater of:

(a) The average of the last three hundred sixty five (365) days of daily Real Time Balancing Market settlement activity (or if settlement activity occurred for a lesser period, the average settlement activity during such lesser period), or

(b) The average of the last seven (7) days of daily Real-Time Balancing Market settlement activity (or if settlement activity occurred for a lesser period, the average settlement activity during such lesser period).

Once the greater value is determined that value is multiplied by the number of days remaining in the Potential Exposure Window. Inasmuch as the Potential Exposure Window refers to “days before service can be terminated,” the time period for purposes of calculating the MEMERT does not include additional time for service termination.

MEMEDA = Maximum Estimated Market Exposure for Day-Ahead Market activity shall be the greater of:

- (a) The average of the last three hundred sixty five (365) days of most recently calculated Settlement Statements for Day-Ahead Market activity (or if settlement activity occurred for a lesser period, the average settlement activity during such lesser period), or
- (b) The average of the seven (7) most recent Operating Days for which SPP has calculated either (i) updated estimated Day-Ahead Market activity results calculated four days after the Operating Day; or (ii) initial Settlement Statements for Day Ahead Market activity (or if updated estimated activity results or settlement activity occurred for a lesser period, the average updated estimated activity and settlement activity resulting during such lesser period). The initial Settlement Statements are created at the end of the 7th calendar day following the Operating Day. As initial Settlement Statements become available such statements will be used instead of the updated estimated activity results calculated four days after the Operating Day.

For the time period prior to commencement of the Day-Ahead Market for which there are no calculated initial Settlement Statements for Day-Ahead Market activity for use in the determination of the MEMEDA for a Credit Customer, SPP shall use data representative of the expected Day-Ahead Market activity for the Credit Customer based on simulations of the Day-Ahead Market or other available information.

Once the greater value is determined that value is multiplied by the number of days remaining in the Potential Exposure Window. Inasmuch as the Potential Exposure Window refers to “days before service can be terminated,” the time period for purposes of calculating the MEMEDA does not include additional time for service termination.

EVE = Estimated Virtual Exposure, calculated pursuant to Article 4A (for all credit approved Virtual Energy Bids and Virtual Energy Offers prior to the close of the Day-Ahead Market for an Operating Day or Days that have

not yet been settled and cleared Virtual Energy Bids and Virtual Energy Offers)

5.2.2 Transmission Service Potential Exposure (“TSPE”). Potential exposure to non-payment associated with Transmission Service transactions is calculated under the following formula:

$$\text{TSPE} = \text{ITSC} + \text{CTSC} + \text{METE}$$

ITSC = Invoiced Transmission Service Charges (all transmission service charges or credits that have been invoiced but not yet been paid).

CTSC = Calculated Transmission Service Charges (transmission service charges or credits that have been calculated but not yet invoiced).

METE = Maximum Estimated Transmission Exposure (an estimate of the charges for the remainder of the Potential Exposure Window). METE will be calculated as follows:

METE will be the value of all charges based on reserved transmission capacity for each confirmed Transmission Service reservation for the period beginning on the day following the latest date included in the CTSC calculation and ending on the TSPE calculation date, plus the value of all charges for confirmed reservations for the number of days which when added to the number of days included in the ITSC and the CTSC would total 50 days. The number of days included in the ITSC is the number of days of transmission service included in an unpaid invoice. If there are no unpaid invoices, the number of days included in the ITSC would be zero. The number of days included in the CTSC are the days for which the transmission service charges or credits have been calculated, but not yet invoiced.

METE for Network Service reservations will be calculated by taking the highest monthly Network Service charge over the most recent twelve (12) month period (or, if Network Service has been taken for a shorter period, the period for which it was taken), divided by the number of days included in the month of the highest charge and multiplying the resulting amount by the number of days which when added to the number of days included in the ITSC and the CTSC would total 50 days. For this calculation, each Network Service charge is the amount of the Network Service invoice, less the amount of transmission revenue due to the invoiced Credit Customer for Network Service during the period covered by the applicable invoice

5.2.3 Total Potential Exposure Calculation. A Credit Customer’s Total Potential Exposure (“TPE”) shall be the sum of the potential exposure to non-payment for market transactions, excluding TCR transactions, and Transmission Service transactions billed pursuant to the Tariff and may be calculated using the formula:

$$\text{TPE} = \text{ME} + \text{TSPE}$$

5.3 Total Potential Exposure Violations.

5.3.1 Transaction Limits. At all times, the Credit Customer shall maintain additional Financial Security equal to or greater than the Total TCR Credit Requirement, calculated pursuant to section 5A.8. Also at all times, the Credit Customer shall maintain its Total Potential Exposure to a value equal to or less than its Total Credit Limit excluding any Financial Security required for TCR activity. A “Total Potential Exposure Violation” occurs when either or both (i) a Credit Customer’s Total Potential Exposure equals or exceeds its Total Credit Limit excluding any Financial Security required for TCR activity; or (ii) a Credit Customer’s Total TCR Credit Requirement exceeds the Credit Customer’s Financial Security excluded from the Total Credit Limit. SPP will regularly monitor each Credit Customer’s use of services and associated financial obligations. If a Credit Customer’s Total Potential Exposure equals or exceeds ninety percent (90%) of its Total Credit Limit, SPP shall promptly give notice to the Credit Customer (excluding any Financial Security required for TCR activity pursuant to Article 5A). Failure by SPP to give this notice shall not relieve the Credit Customer of its duties under this Section.

5.3.2 Cure of Total Potential Exposure Violation. A Credit Customer shall cure a Total Potential Exposure Violation by: (i) payment to SPP of invoiced amounts to reduce the Credit Customer’s Total Potential Exposure, and/or (ii) provision of Financial Security in an amount sufficient to increase the Credit Customer’s Total Credit Limit, such that after making such payments of invoiced amounts and/or providing such Financial Security, the Credit Customer’s Total Potential Exposure will not exceed its Total Credit Limit; and/or (iii) provision of Financial Security in an amount sufficient to satisfy the Total TCR Credit Requirement as provided in Article 5A. The Credit Customer shall have two (2) Business Days from receipt of notice from SPP to cure the violation. SPP, in its sole discretion, may determine to treat any amount tendered under (i) as an increase of Financial Security under (ii) and not as a payment to SPP.

5.3.3 Failure to Cure Total Potential Exposure Violation. A failure to cure a Total Potential Exposure Violation as required under Section 5.3.2 is a Default. In the event of such a Default, SPP has all rights under section 7 of the Tariff or section 10.5 of Attachment AE and all other rights and remedies in accordance with applicable law. Without prejudice to other remedies, a Credit Customer that fails timely to cure a Total Potential Exposure Violation shall be suspended from requesting any future services, including all Transmission Service and market services SPP may provide, unless and until the Credit Customer’s Total Potential Exposure Violation is cured.

5.4. Excess Financial Security. In the event a Credit Customer has provided additional Financial Security under Section 5.3.2 to address a Total Potential Exposure Violation, and the Credit Customer’s outstanding invoiced amounts subsequently return to levels

preceding that violation such that the total amount of Financial Security exceeds the amount required under this Credit Policy, the Credit Customer may request return of the excess Financial Security and SPP shall comply with the request within two (2) Business Days; provided, that if SPP determines to review the Credit Assessment for the Credit Customer due to the violation, it shall not be required to respond to the request, including return of any excess Financial Security, until two (2) Business Days after completing the new Credit Assessment.

ARTICLE FIVE A

Transmission Congestion Rights (TCRs)

5A.1 Overview.

5A.1.1 Transmission Congestion Rights create potential exposure of non-payment, and therefore, have a credit requirement. SPP will establish a Total TCR Credit Requirement for each Credit Customer holding TCRs or participating in a TCR Auction. A Credit Customer may satisfy its Total TCR Credit Requirement by providing Financial Security. Unsecured Credit is not available to support a Credit Customer's holding of TCRs or activity in TCR Auctions. Additionally, SPP's prior approval is required for a Credit Customer to acquire or transfer TCRs through bilateral transactions.

5A.1.2 To establish the credit requirement associated with TCRs, SPP analyzes: (i) the TCRs the Credit Customer holds (including TCRs held via self-conversion from ARRs); (ii) the Credit Customer's Bids and Offers for TCRs in the TCR Auctions; (iii) TCR payments or charges for which settlement has been calculated but not yet invoiced; and (iv) TCR payments or charges for which an invoice has been issued but payment has not occurred.

- (a) SPP calculates the potential exposure associated with the full portfolio of TCRs that are held by the Credit Customer including TCRs obtained from LTCRs and ILTCRs.
- (b) SPP evaluates individually each TCR Bid in the TCR Auctions to ensure that the Credit Customer has sufficient Financial Security to cover the credit requirements to purchase and hold the TCR. Only the TCR Bids for which the Credit Customer has sufficient Financial Security will be credit approved for consideration in the TCR Auction.
- (c) SPP evaluates individually each TCR Offer in the TCR Auctions to ensure that the Credit Customer has sufficient Financial Security to cover any credit requirements associated with the Offer and the credit requirements for the retained TCR portfolio that would result if the TCR Offer clears in the TCR Auction. Only the TCR Offers for which the Credit Customer has sufficient Financial Security will be credit approved for consideration in the TCR Auction.
- (d) Additionally, SPP analyzes the credit requirements associated with TCRs that are the subject of a proposed bilateral transfer prior to providing approval of such transfers. SPP approval of a bilateral

transfer for TCRs is required for such bilateral transfers to be completed.

5A.1.3 As part of the determination of the credit requirement associated with TCRs, SPP calculates the Estimated TCR Exposure (ETCRE), which is an estimate of the potential value of the TCR over the life of the TCR. In the case of a TCR associated with a LTCCR or ILTCR, the life of the TCR shall be considered one year. It will be calculated for all TCRs the Credit Customer holds, the Credit Customer's TCR Bids and TCR Offers, proposed TCR bilateral transfers, and TCRs acquired through ARR self-conversion. SPP will determine the credit requirement associated with TCRs and whether the Credit Customer has available Financial Security to support its TCR activity. After the close of a TCR Auction and on an ongoing basis, SPP will update the Credit Customer's Total TCR Credit Requirement associated with TCRs to reflect the actual TCRs the Credit Customer holds and TCR Auction results, including the costs to acquire or sell TCRs in a TCR Auction.

5A.1.4 This Article addresses the calculation of the Total TCR Credit Requirement associated with TCRs, including the ETCRE calculations for the TCRs the Credit Customer holds and the Credit Customer's Bids and Offers for TCRs in the TCR Auctions and the acquisition and disposal costs of the TCR in the TCR Auctions; as well as the TCR payments or charges for which settlement has been calculated but not yet invoiced; and the TCR payments or charges for which an invoice has been issued but payment has not occurred. This Article also addresses the determination whether a Credit Customer has sufficient Financial Security available for the Credit Customer's proposed TCR Auction activity or proposed bilateral transfers of TCRs.

5A.2 Calculation of Estimated TCR Exposure (ETCRE) for TCRs that a Credit Customer Holds (ETCRE Hold). SPP will calculate the ETCRE Hold, which is an estimate of the potential value (positive or negative) of the TCR contract for the term of the TCR, for TCRs that a Credit Customer holds. A negative ETCRE Hold means SPP estimates that the potential value of the TCR will result in a payment by the Credit Customer. A positive ETCRE Hold means SPP estimates that the potential value of the TCR will result in a payment to the Credit Customer. The ETCRE Hold calculation is determined for each TCR on an individual basis. ETCRE Hold is the product of the TCR Final Reference Price times the TCR megawatts. SPP will calculate the TCR Final Reference Price for each TCR based on the difference of historical Day-Ahead Market Marginal Congestion Cost (MCC) between the TCR source and TCR sink.

5A.2.1 TCR Final Reference Price. For a given source and sink combination and with respect to time (season or month) and class (on-peak and off-peak), the TCR Final Reference Price has two components: (i) a TCR Mean Price; and (ii) a TCR

Stress Test Price. The Final Reference Price is the TCR Mean Price *minus* the TCR Stress Test Price.

5A.2.1.1 Both the TCR Mean Price and TCR Stress Test Price are determined using the Day-Ahead Market Marginal Congestion Component (MCC) prices from the prior two years. Each year of the prior two year period will be weighted, with the more recent year receiving a 75% weighting and the more distant year receiving a 25% weighting. The MCC prices used in the calculations for a TCR match the definition of the TCR with respect to time (season or month) and class (on-peak and off-peak). Historical MCC prices to be used for the more recent year will only be used if the specific time period (season or month) has been completed, i.e. no partial period MCC prices will be used to calculate Final Reference Prices.

5A.2.1.1.1 A TCR Final Reference Price determination is used in the calculations for ETCRE Hold, ETCRE Bid, and ETCRE Offer calculations. For each such calculation, the prior two year period used in the calculation is measured from the time of the calculation. ETCRE Hold calculations will be updated to reflect updated prior two year periods for a given TCR as MCC prices are completed for a season or month that previously was not included in the prior two year period.

5A.2.1.2 The TCR Mean Price is the sum of 75% of the mean of the hourly Day-Ahead Market MCC difference calculated as the sink MCC minus the source MCC for the more recent year in the prior two year period plus 25% of the mean of the hourly Day-Ahead Market MCC difference calculated as the sink MCC minus the source MCC for the more distant year in the prior two year period.

5A.2.1.3 The TCR Stress Test Price calculation differs for TCRs with positive and negative Mean Prices. For a TCR with a negative TCR Mean Price, the TCR Stress Test Price is the 90th percentile of the opposite flow value (i.e. source MCC minus sink MCC) in the prior two year period. For a TCR with a positive TCR Mean Price, the TCR Stress Test Price is the 75th percentile of the opposite flow value (i.e. source MCC minus sink MCC) in the prior two year period. The TCR Stress Test Price has a minimum value of zero and thus can never increase the TCR Final Reference Price.

5A.2.2 Calculation of TCR Final Reference Price during the Initial Two-Years of the Integrated Marketplace. Prior to the accumulation of complete MCC data sufficient to calculate the TCR Final Reference Price pursuant to Section 5A.2.1, to calculate both the Mean Price and Stress Test Price, to the extent complete MCC price data for the applicable prior two year period is not available, SPP will use the applicable historical energy imbalance service price differences.

5A.2.3 Calculation of TCR Final Reference Price for New Settlement Locations. When a new Settlement Location is created, SPP will use a proxy price based on the system average Day-Ahead Market MCC to calculate the TCR Mean Price and TCR Stress Test Price for the new Settlement Location. The system average Day-Ahead Market MCC for each defined TCR is the mean of the hourly Day-Ahead Market MCC for all Settlement Locations for which a Day-Ahead Market MCC exists for each hour in the prior two year period for a defined TCR. Based on a two year weighted average approach, the proxy will be blended with actual data after the first year.

5A.3 TCR Portfolio Credit Requirement. The Financial Security required for a Credit Customer's TCR portfolio is the TCR Portfolio Credit Requirement and is one component of the Total TCR Credit Requirement. The TCR Portfolio Credit Requirement is the lesser of (a) the sum of (i) the sum of the ETCRE Hold values for each TCR in the Credit Customer's TCR portfolio; (ii) the portion of the cost to acquire each TCR in a TCR Auction that has not yet been settled; and (iii) the disposal cost for TCR Offers that clear a TCR Auction that has not yet been settled, or (b) the Minimum TCR Collateral Requirement.

5A.3.1 The sum of the ETCRE Hold values for each TCR in the Credit Customer's TCR portfolio used in the calculation of the TCR Portfolio Credit Requirement is equal to the net sum of the ETCRE Hold values for each TCR in the Credit Customer's TCR portfolio, with individual positive and negative ETCRE Hold values netted, for a time period greater than the last settled operating day with the most negative net sum of ETCRE Hold values of the Credit Customer's TCR portfolio. For a TCR with a term longer than a month, the ETCRE Hold for each month of the TCR is equal to the total ETCRE Hold for the TCR divided by the number of months of the term of the TCR. SPP calculates the ETCRE Hold each day for which at least one TCR in the portfolio is valid.

5A.3.2 The portion of the acquisition cost to acquire each TCR in a TCR Auction that has not yet been settled includes the amounts that the Credit Customer is required to pay for TCRs it acquires in a TCR Auction, that have not yet been settled, and does not include amounts that may be owed to a Credit Customer to acquire a TCR. For TCRs acquired through self-converted ARRs, the acquisition cost is zero. For TCRs acquired through a bilateral transfer the acquisition cost is zero for the buyer because the acquisition cost remains the responsibility of the participant who originally acquired the TCR in a TCR Auction.

5A.3.3 The portion of the disposal cost for each TCR Offer that clears a TCR Auction that has not yet been settled is the portion of a Credit Customer's loss associated with the difference between the Offer price and the original Auction Clearing Price for the TCR that is the subject of the TCR Offer. For TCRs acquired pursuant to a bilateral transfer that are the subject of a TCR Offer, zero will be used for the Auction Clearing Price for this calculation.

5A.3.4 Except in the case of ARR self-converted to TCRs, only negative TCR Portfolio Credit Requirements are included in the Total TCR Credit Requirement. If the TCR Portfolio Credit Requirement is a positive value it does not diminish the Financial Security requirement for TCRs and zero will be used for the TCR Portfolio Credit Requirement in the calculation of the Total TCR Credit Requirement.

5A.3.5 Both positive and negative TCR values for ARRs self-converted to TCRs in a TCR Auction will be included in the Credit Customer's Total TCR Credit Requirement. Ninety percent (90%) of the positive and one hundred percent (100%) of the negative TCR values for ARRs self-converted will be netted and the netted value used in establishing the credit requirement.

5A.3.6 Minimum TCR Collateral Requirement means the total megawatt hours owned by the Credit Customer multiplied by \$(0.10) to establish a minimum portfolio Financial Security requirement.

5A.4 Calculation of ETCRE Bid. SPP evaluates the Bids for TCRs to ensure that the Credit Customer has sufficient Financial Security to cover any Financial Security requirements to purchase and hold the TCR. The ETCRE Bid calculates the Financial Security requirements for each Bid. When a TCR Bid is submitted, SPP will calculate the ETCRE Bid for the Bid, which is the lesser of (a) the minimum sum of (i) the ETCRE Segment and (ii) the TCR Segment Cost, for the segments in the Bid, or (b) the Minimum Segment Hold. SPP calculates the ETCRE Segment for each megawatt point on the submitted Bid curve, and the TCR Segment Cost for each megawatt point on the submitted Bid curve, and the Minimum Segment Hold for the maximum megawatt on the submitted Bid curve. For each segment, SPP calculates the sum of (i) the ETCRE Segment and (ii) the TCR Segment Cost.

5A.4.1 ETCRE Segment. In evaluating TCR Bids, SPP calculates the ETCRE Segment for each megawatt point on the submitted Bid curve. The ETCRE Segment can be positive or negative. It is the potential value of holding the TCR in the Bid. It is calculated in the same manner as the ETCRE Hold, using the Final Reference Price, and the TCR Bid megawatts.

5A.4.2 TCR Segment Cost. In evaluating TCR Bids, SPP estimates the TCR acquisition cost by calculating the TCR Segment Cost for each megawatt point on the submitted Bid curve by multiplying the Bid price for that megawatt point times the megawatts for that point on the submitted Bid curve. The TCR Segment Cost

is the potential cost for the Credit Customer to acquire any megawatt point on the submitted Bid segment. For TCRs with negative acquisition costs, e.g., if the Bid curve has a negative Bid price, the TCR Segment Cost will be zero. For a TCR resulting from an ARR self-conversion, the TCR Segment Cost also will be zero.

5A.4.3 Minimum Segment Hold means the maximum megawatt point on the submitted TCR Bid curve multiplied by \$(0.10) multiplied by the number of hours in the TCR product. The Minimum Segment Hold will always be negative.

5A.4.4 If multiple TCR Bids and Offers are included in a single submission, the Credit Customer must have sufficient Financial Security to cover all of the Bids and Offers in the submission. The Financial Security requirement for a single submission is the sum of the negative ETCRE Bid and ETCRE Offer for the Bids and Offers in the submission without any netting of the individual ETCRE Bid or ETCRE Offer for the TCR Bids and Offers that are included in the submission.

5A.5 Calculation of ETCRE Offer. SPP evaluates the Offers for TCRs to ensure that the Credit Customer has sufficient Financial Security to cover any Financial Security requirements resulting if the TCR is no longer held and potential losses resulting from the sale. The ETCRE Offer calculates the Financial Security requirement for each Offer. When a TCR Offer is submitted, SPP will calculate the ETCRE Offer for the Offer which is the lesser of (a) the minimum sum of (i) the ETCRE Offer Segment; and (ii) the TCR Offer Segment Cost, for the segments in the Offer, or (b) the Minimum Offer Segment. SPP calculates the ETCRE Offer Segment for each megawatt point on the submitted Offer curve, and the Minimum Offer Segment for the maximum megawatt on the submitted Offer curve. For each segment, SPP calculates the sum of (i) the ETCRE Offer Segment, and (ii) the TCR Offer Segment Cost.

5A.5.1 ETCRE Offer Segment. In evaluating TCR Offers, SPP calculates the ETCRE Offer Segment for each megawatt point on the submitted Offer curve. It is the potential value of disposing of an existing TCR in the Offer. It is calculated in the same manner as the ETCRE Hold, using the Final Reference Price and the TCR Offer megawatts. If the calculated ETCRE Offer Segment is positive, SPP sets the ETCRE Offer to zero.

5A.5.2 TCR Offer Segment Cost. In evaluating TCR Offers, SPP estimates the TCR disposal cost by calculating the TCR Offer Segment Cost for each megawatt point on the submitted Offer curve by multiplying the Offer price for that megawatt point times the megawatts for that point on the submitted Offer curve. The TCR Offer Segment Cost is the potential cost for the Credit Customer to dispose of any megawatt point on the submitted Offer segment. If the TCR was originally acquired from an ARR self-schedule or pursuant to a bilateral transfer, zero is used for the original Auction Clearing Price. If the calculated ETCRE Offer Segment Cost is positive SPP sets the ETCRE Offer to zero.

5A.5.3 Minimum Offer Segment means the maximum megawatt point on the submitted TCR Offer curve multiplied by \$(0.10) multiplied by the number of hours in the TCR product. The Minimum Offer Segment will always be negative.

5A.5.4 If multiple TCR Bids and Offers are included in a single submission, the Credit Customer must have sufficient Financial Security to cover all of the Bids and Offers in the submission. The Financial Security requirement for a single submission is the sum of the negative ETCRE Bid and ETCRE Offer for the Bids and Offers in the submission without any netting of the individual ETCRE Bid or ETCRE Offer for the TCR Bids and Offers that are included in the submission.

5A.6 Determination of Credit Approved TCR Bids and Offers and Rejection of TCR Bids and Offers which are Credit Disapproved.

5A.6.1 If the sum of the ETCRE Bid and ETCRE Offer for all TCRs (other than TCRs self-converted from ARR) included in a single submission of Bids and Offers for a TCR Auction, calculated pursuant to sections 5A.4 and 5A.5, without netting, is less than the Credit Customer's available amount of Financial Security, then the submission is credit approved for inclusion in the TCR Auction.

5A.6.2 If the sum of the ETCRE Bid and ETCRE Offer for all TCRs (other than TCRs self-converted from ARR) included in a single submission of Bids and Offers for a TCR Auction, calculated pursuant to sections 5A.4 and 5A.5, without netting, is greater than the Credit Customer's available Financial Security, then the entire submission is credit disapproved and the Bids and Offers will not be included in the TCR Auction.

5A.6.3 If the sum of the ETCRE Bid and ETCRE Offer for all TCRs included in a single submission of ARR self-conversions for a TCR Auction, calculated pursuant to sections 5A.4 and 5A.5, with netting as described in Section 5A.3.5 of this Attachment X, is less than the Credit Customer's available amount of Financial Security, then the submission is credit approved for inclusion in the TCR Auction.

5A.6.4 If the sum of the ETCRE Bid and ETCRE Offer for all TCRs included in a single submission of ARR self-conversions for a TCR Auction, calculated pursuant to sections 5A.4 and 5A.5, with netting as described in Section 5A.3.5 of this Attachment X, is greater than the Credit Customer's available Financial Security, then the entire submission is credit deficient and the ARR self-conversion will not be included in the TCR Auction unless satisfactory alternate credit arrangements are made.

5A.7 Updated ETCRE Calculation Post TCR Auction. After the clearing of a TCR Auction, the TCR Portfolio Credit Requirement will be updated to reflect the TCRs awarded in the TCR Auction, including the acquisition cost for TCR Bids that cleared the TCR Auction and the disposal cost for TCR Offers that cleared the TCR Auction. For TCR Bids, the TCR acquisition cost is calculated as the product of the Auction Clearing

Price times the awarded megawatts. For TCR Offers, the TCR disposal cost is calculated as the product of the Auction Clearing Price times the megawatts sold. The ETCRE Hold portion of the TCR Portfolio Credit Requirement will be updated to reflect the actual TCRs in the portfolio.

5A.8 Total TCR Credit Requirement. The total Financial Security requirement associated with the Credit Customer's holding of TCRs and participating in the TCR Auctions is the Total TCR Credit Requirement. The Total TCR Credit Requirement for a Credit Customer is the sum of (i) the TCR Portfolio Credit Requirement for the Credit Customer's TCR portfolio, reflecting all of the TCRs held by the Credit Customer, calculated pursuant to section 5A.3; (ii) the Financial Security required for the Credit Customer's participation in a TCR Auction, determined by the credit approved ETCRE Bid, calculated pursuant to section 5A.4, and ETCRE Offer, calculated pursuant to section 5A.5, for a TCR Auction that has not yet occurred; (iii) all TCR charges or credits that have been invoiced but not yet paid; and (iv) TCR charges or credits that have been calculated but not yet invoiced.

Total TCR Credit Requirement =
TCR Portfolio Credit Requirement + ETCRE Bid + ETCRE Offer + (ITCRC + CTCRC)

Where,

TCR Portfolio Credit Requirement is calculated pursuant to section 5A.3.

ETCRE Bid is the sum of the ETCRE Bid amounts for the Credit Customer's credit approved Bids for an auction that has not yet occurred, as calculated pursuant to section 5A.4, without netting ETCRE Bid or ETCRE Offers in a submission.

ETCRE Offer is the sum of the ETCRE Offer amounts for the Credit Customer's credit approved Offers for an auction that has not yet occurred, as calculated pursuant to section 5A.5, without netting ETCRE Bid or ETCRE Offers in a submission.

ITCRC is the Invoiced TCR Charges (all TCR charges or credits that have been invoiced but not yet paid). If the sum of ITCRC and CTCRC for a Credit Customer is negative, then zero will be included for the sum of ITCRC and CTCRC in the calculation of the Total TCR Credit Requirement.

CTCRC is the Calculated TCR Charges (TCR charges or credits that have been calculated but not yet invoiced). If the sum of ITCRC and CTCRC for a Credit Customer is negative, then zero will be included for the sum of ITCRC and CTCRC in the calculation of the Total TCR Credit Requirement.

5A.8.1 If a Credit Customer's available Financial Security is less than its Total TCR Credit Requirement, then the Credit Customer shall be required to provide additional Financial Security within two (2) Business Days from receipt of notice

of such violation. Failure to provide such Financial Security is a Default under this Credit Policy.

5A.9 Transfer of TCRs. If a Credit Customer proposes to sell or acquire TCRs through a bilateral transfer with another Credit Customer, SPP will evaluate the effect of the proposed transfer on the Total TCR Credit Requirement of each party to the proposed bilateral transfer and determine if both the buyer and the seller have sufficient Financial Security for the bilateral transfer to occur. SPP approval of such bilateral transfers, based on whether both the buyer and seller have provided sufficient Financial Security to support the transfer, is required prior to such transfers.

5A.9.1 For the seller in a bilateral transfer, SPP calculates the impact of the proposed transfer on the TCR Portfolio Credit Requirement that would result from the removal of the TCRs that are the subject of the proposed bilateral transfer from the TCR portfolio of the Credit Customer that is the seller in the bilateral transfer.

5A.9.2 For the buyer in a bilateral transfer, SPP calculates the impact of the proposed transfer on the TCR Portfolio Credit Requirement that would result from the addition of the TCRs that are the subject of the proposed bilateral transfer from the TCR portfolio of the Credit Customer that is the buyer in the bilateral transfer.

5A.9.3 If multiple TCRs are included in a single proposed bilateral transfer, both parties to the bilateral transfer must have sufficient Financial Security for the transfer of all of the TCRs in the proposed transfer.

5A.9.4 SPP, in its sole discretion, may approve bilateral transfers if a Credit Customer does not have sufficient Financial Security to support the transfer, but the transfer would result in a reduction in Total TCR Credit Requirement for that Credit Customer.

5A.9.5 The bilateral TCR transfer price is not included in SPP's evaluation of a bilateral transfer of TCRs. After an approved bilateral transfer of TCRs is completed, each Credit Customer's Total TCR Credit Requirement is updated.

5A.10 Return of TCR Financial Security. A Credit Customer may request that SPP return any Financial Security no longer required to hold TCRs or participate in TCR Auctions if it is not needed to support other market services. SPP may limit the frequency of such requested Financial Security returns, provided that Financial Security returns will be made by SPP at least once per month, if requested by a Credit Customer.

ARTICLE SIX

Guarantees

- 6.1 Guaranty.** A Guaranty approved by SPP transfers to the Credit Customer a portion of the Guarantor's creditworthiness and thereby increases the Credit Customer's Total Credit Limit. Unlike an Irrevocable Letter of Credit or Surety Bond, a Guaranty is not Financial Security. A Guaranty that is backed by Financial Security will have the same impact upon the Total Credit Limit as Financial Security. A Guaranty that is not backed by Financial Security is unsecured and will be considered unsecured credit in the determination of the Unsecured Credit Allowance.
- 6.2 Approval Process.** SPP will determine whether to approve a Guaranty based upon the creditworthiness of the proposed Guarantor as though it were a Credit Customer under this Credit Policy. All Credit Information required under this Credit Policy with respect to a Credit Customer must be submitted initially for the proposed Guarantor and regularly thereafter. SPP will evaluate the Credit Information and determine any Unsecured Credit Allowance and the Total Credit Limit for the Credit Customer beneficiary of the proposed Guaranty. SPP shall have the right to revise the Unsecured Credit Allowance and Total Credit Limit from time to time based upon continued assessment of the Credit Information of the Guarantor.
- 6.3 Requirements for Guaranty.** A Credit Customer can utilize a Guaranty if all of the following conditions are satisfied:
- 6.3.1 Guarantor's Satisfaction of Financial Standards under this Credit Policy.** A Guarantor is subject to the same financial review procedures as a Credit Customer. A Guarantor will be eligible to provide a Guaranty to the extent, if any, of the Guarantor's creditworthiness under this Credit Policy.
- 6.3.2 The Form and Substance of the Guaranty Acceptable to SPP.** Appendix "D" of this Credit Policy is a form of Guaranty. The Guaranty must:
- 6.3.2.1** Be duly authorized by the Guarantor and signed by an officer of the Guarantor
- 6.3.2.2** State an effective period, or provide for automatic renewal or other basis for periodicity subject to cancellation on no less than sixty (60) days notice and provided that in all events the Guaranty is effective for all obligations of the Credit Customer undertaken prior to cancellation.
- 6.3.2.3** Include certification of the corporate secretary that the execution, delivery, and performance of the Guaranty have been duly authorized;

- 6.3.2.4** Certify that the Corporate Guaranty is not in violation of other undertakings or requirements applicable to the Guarantor, and enforceable against the Guarantor in accordance with its terms;
- 6.3.2.5** Obligate the Guarantor to submit Credit Information on an ongoing basis as required under this Credit Policy;
- 6.3.2.6** Incorporate default provisions, including default provisions referred to in Section 6.3.4;
- 6.3.2.7** Secure, in combination with other forms of Financial Security, all obligations of the Credit Customer under or in connection with this Tariff and/or other Agreements; and
- 6.3.2.8** Be supported by adequate consideration and be otherwise binding as a matter of law.
- 6.3.2.9** Include as an attachment thereto the resolution(s) of the board of directors or other governing body of the Guarantor authorizing the Corporate Guaranty.

6.3.3 Reserved for Future Use

6.3.4 Default. Any breach of the Guaranty by the Guarantor or the requirements of the Guarantor under this Credit Policy shall be deemed a Default of this Credit Policy and a default under the Tariff by the Guarantor and the Affiliates whose obligations are supported by the Guaranty. The following also shall be a Default of this Credit Policy and a default under the Tariff: (i) the Guaranty expires or terminates (other than in accordance with its terms or upon the written consent of SPP); (ii) the Guarantor disaffirms, disclaims, repudiates, rejects or challenges the validity of all or any part of the Guaranty; or (iii) the Guaranty or any material provision of the Guaranty ceases to be in full force and effect (other than in accordance with its terms or upon the written consent of SPP).

6.4 Guaranty for Affiliates. A single Guaranty may support the Total Credit Limits of Affiliates. With respect to such a Guaranty, the sum value of the Unsecured Credit Allowance of all such Affiliates and the Guarantor shall not exceed the lesser of:

- (i) the approved Unsecured Credit Allowance for the Guarantor based on SPP's financial review of Guarantor; or
- (ii) \$50 million.

If a Guaranty is utilized to establish an Unsecured Credit Allowance for a Credit Customer, the value of the Guaranty shall be no greater than the lesser of:

- (i) The credit limit imposed in the Guaranty; or

- (ii) The portion of the Unsecured Credit Allowance calculated for the Guarantor that is allocated to such Credit Customer in SPP's sole discretion; provided that the Unsecured Credit Allowance calculated for the Guarantor may not exceed \$50 million; or
- (iii) \$50 million.

6.5 Guarantees for Not for Profit Credit Customers. SPP shall allow other guarantees for Not for Profit Credit Customers so long as any guarantees for such customer satisfy the requirements of Section 6.3. The form in Attachment D shall be used (subject to modifications to reflect the not for profit nature of the customer and the structure of the guarantee). An example of a permissible guarantee would be individual cities guaranteeing the payments by a municipal energy entity.

6.6 Costs. The Credit Customer shall bear all costs of obtaining and maintaining the Guaranty.

6.7 Withdrawal. A Credit Customer or the Guarantor may request the withdrawal of the Guaranty by written request to SPP. A Guaranty may be withdrawn and/or terminated only upon SPP's written approval. SPP will not approve withdrawal or termination of a Guaranty unless and until:

- (i) alternate Financial Security acceptable to SPP has been provided; or
- (ii) all financial obligations of a Credit Customer under the Agreements have been irrevocably satisfied in full, all Service Agreements have been terminated, and the Credit Customer is no longer a Credit Customer.

ARTICLE SEVEN

Financial Security

7.1 Acceptable Forms of Financial Security. Financial Security may be a Cash Deposit, an Irrevocable Letter of Credit, a Surety Bond or, for a Credit Customer that is a Federal Power Marketing Agency, a letter as specified in Section 7.1.4 of this Article. These forms of Financial Security may be submitted separately or in combination to equal the full amount of any required or provided Financial Security. In addition, SPP requires the execution of a Credit and Security Agreement (with respect to Cash Deposit, Irrevocable Letter of Credit, and/or Surety Bond).

7.1.2 Cash Deposits. A Cash Deposit will be Financial Security in accordance with this Section.

7.1.2.1 Deposit and Related Agreements. The initial Cash Deposit must be accompanied by execution and delivery of a Credit and Security Agreement in the form attached to this Credit Policy as Appendix "B." Under the Credit and Security Agreement, the Credit Customer shall grant to SPP a first priority security interest in and to any and all Cash Deposits, cash collateral, and deposit accounts held or controlled by SPP 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 Credit Customer under or in connection with the Tariff, and/or any and all other Agreements. SPP may amend the Credit and Security Agreement from time to time, either for general applicability or on an individual basis. The Credit Customer will accept such amendment and, upon request, execute an amendatory document.

7.1.2.2 Segregated Account. The Cash Deposit will be placed in a segregated, interest bearing account in SPP's name and held within the sole control of SPP solely to secure the payment of the Credit Customer's obligations to SPP and subject to the terms and conditions of the Credit and Security Agreement. All interest earned will accrue to the benefit of the Credit Customer, will be added to the segregated account, and will be deemed additional Cash Deposit; provided, that all such accrued and unpaid interest that has not been applied to satisfy the Credit Customer's obligations will be released and paid to the Credit Customer quarterly, and further provided, that SPP shall not be obligated to pay any interest to the Credit Customer or release any amount from the segregated account during any uncured Default. Interest will be calculated per section 7.3 of the Tariff.

7.1.2.3 Use of Cash Deposit. In the event a Credit Customer fails to make a payment timely to SPP, SPP may apply the Cash Deposit as necessary to satisfy the deficit. In such event, within three (3) Business Days, the Credit Customer must replenish the Cash Deposit in an amount equal to SPP's draw or in such other amount as SPP may require under this Credit Policy and failure to replenish shall be a Default under this Credit Policy. SPP's application of the Cash Deposit hereunder shall not cure the Default due to the Credit Customer's failure to make timely payment until and unless the Cash Deposit is timely replenished or other Financial Security is provided under Section 7.1.2.4.

7.1.2.4 Replacement of Cash Deposit. A Credit Customer may replace any part of a Cash Deposit with other Financial Security acceptable to SPP under this Credit Policy.

7.1.3 Irrevocable Letter of Credit. An Irrevocable Letter of Credit will be Financial Security in accordance with this Section.

7.1.3.1 Form, Requirements, and Related Agreement. Appendix "C" of this Credit Policy is an acceptable form of an Irrevocable Letter of Credit. SPP may amend the form of Irrevocable Letter of Credit from time to time, either for general applicability or on a case-by-case basis, and the Credit Customer will accept such amendment and, upon request, execute an amendatory document. SPP may accept an Irrevocable Letter of Credit, in its sole discretion, in revised form. Upon the Credit Customer's request, SPP shall provide a written explanation of why SPP did not accept that Credit Customer's proposed variation to the form of Irrevocable Letter of Credit set forth in Appendix "C" of this Credit Policy. The Credit Customer must execute the Credit and Security Agreement with respect to the Irrevocable Letter of Credit. Under the Credit and Security Agreement, the Credit Customer grants SPP a first priority security interest in and to any and all proceeds of any and all Irrevocable Letters of Credit then existing or thereafter issued with SPP as Beneficiary and the Credit Customer as Account Party under the Irrevocable Letter of Credit, 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 Credit Customer to SPP, provided that the grant of a security interest shall not diminish SPP's rights to apply draws on the Irrevocable Letter of Credit to pay any and all amounts due. SPP may amend the Credit and Security Agreement from time to time, either for general applicability or on an

individual basis. The Credit Customer will accept such amendment and, upon request, execute an amendatory document.

- 7.1.3.2 Ratings of Issuing Financial Institution.** At the time of issuance and at all times the Irrevocable Letter of Credit is outstanding, the issuer must be a financial institution organized under the laws of the United States or any state of the United States or the District of Columbia or a branch or agency of a foreign commercial bank located in the United States, with 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. SPP may accept an Irrevocable Letter of Credit from a financial institution that does not meet the debt rating requirements, provided that the Irrevocable Letter of Credit has a confirmation of third-party support (as governed by the Uniform Customs and Practice for Documentary Credits – International Chamber of Commerce Publication No. 500, Effective January 1, 1994 “UCP500” as stated in Article 9 Section B), in a form acceptable to SPP, from a financial institution that does meet or exceed the debt rating requirements stated in this Section. If after the Irrevocable Letter of Credit has been issued, the rating for the corporate debt of the financial institution is less than “A-” by S&P, “A3” by Moody’s or “A-” by Fitch, SPP may give the Credit Customer notice to submit substitute Financial Security no later than three (3) Business Days after the notice.
- 7.1.3.3 Costs.** The applicable Credit Customer shall bear all costs of providing and maintaining the Irrevocable Letter of Credit.
- 7.1.3.4 Substitution of Irrevocable Letter of Credit.** The Credit Customer may replace an Irrevocable Letter of Credit with a substitute Irrevocable Letter of Credit or other Financial Security in form and amount acceptable to SPP. SPP will return the initial Irrevocable Letter of Credit upon receipt of an effective and acceptable substitute.
- 7.1.3.5 Term and Renewal.** The Irrevocable Letter of Credit must automatically renew unless the issuing financial institution provides a notice to SPP at least ninety (90) days prior to its expiration date stating its decision not to renew the Irrevocable Letter of Credit. If the Irrevocable Letter of Credit is not renewed, at least ninety (90) days prior to its stated expiration date (a “Non-Renewal Event”), the Credit Customer must submit substitute Financial Security acceptable to SPP, in SPP’s sole discretion, no later than eighty-seven (87) days prior to the stated expiration date.

7.1.3.6 Use of Irrevocable Letter of Credit. In the event a Credit Customer fails to make any timely payment to SPP, SPP may draw upon the Irrevocable Letter of Credit as necessary to satisfy any and all amounts due from the Credit Customer pursuant to the Agreements. In such event, within three (3) Business Days, the Credit Customer must replenish the Irrevocable Letter of Credit or provide SPP with other Financial Security in an amount equal to the draw or in such other amount as SPP may require under this Credit Policy, and failure to satisfy this requirement shall be a Default under this Credit Policy. In the event of such failure to make timely payment, and in addition to any other remedies available to SPP, SPP 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 Credit Customer to SPP pursuant to the Agreements. The foregoing sentence notwithstanding, upon the Credit Customer's written notice of request, SPP will treat as a Cash Deposit the proceeds of a draw over and above amounts currently due and unpaid and transfer same to a segregated account in accordance with such treatment, provided that the Credit Customer has executed a Credit and Security Agreement.

7.1.4 Federal Power Marketing Agency Letter. A form of letter as described in this Section will be Financial Security for a Federal Power Marketing Agency as that type of entity is defined in Article Two of this Attachment X.

Credit Customers that are Federal Power Marketing Agencies may provide Financial Security in the form of a letter, executed by an officer of the Federal Power Marketing Agency, that: (1) attests that the Federal Power Marketing Agency is lawfully authorized to participate in the SPP TCR market and that any debt the Federal Power Marketing Agency incurs due to its participation in the TCR market is a debt of the United States; (2) identifies the current year's appropriations for the Federal Power Marketing Agency from the United States Congress; and (3) verifies that the amount of the current year's appropriations for the Federal Power Marketing Agency from the United States Congress meets or exceeds the amount required to satisfy the credit requirements set forth in this Credit Policy.

7.1.5 Surety Bond. A Surety Bond will be Financial Security in accordance with this Section.

7.1.5.1 Form, Requirements, and Related Agreement. Appendix "F" of this Credit Policy is an acceptable form of a Surety Bond. SPP may amend the form of Surety Bond from time to time, either for

general applicability or on a case-by-case basis, and the Credit Customer will accept such amendment and, upon request, execute an amendatory document. SPP may accept a Surety Bond, in its sole discretion, in revised form. Upon the Credit Customer's request, SPP shall provide a written explanation of why SPP did not accept that Credit Customer's proposed variation to the form of Surety Bond set forth in Appendix "F" of this Credit Policy. The Credit Customer must execute the Credit and Security Agreement with respect to the Surety Bond. Under the Credit and Security Agreement, the Credit Customer grants SPP a first priority security interest in and to any and all proceeds of any and all Surety Bond then existing or thereafter issued with SPP as beneficiary and the Credit Customer as principal under the Surety Bond, 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 Credit Customer to SPP, provided that the grant of a security interest shall not diminish SPP's rights to apply draws on the Surety Bond to pay any and all amounts due. SPP may amend the Credit and Security Agreement from time to time, either for general applicability or on an individual basis. The Credit Customer will accept such amendment and, upon request, execute an amendatory document.

- 7.1.5.2 Ratings of Issuing Surety.** At the time of issuance and at all times the Surety Bond is outstanding, the issuer must be a U.S. Treasury-listed surety with a certificate of authority from the insurance commissioner in each state in which the issuer conducts surety business, with a minimum financial strength rating of an "A" by A.M. Best. If after the Surety Bond has been issued, the financial strength rating of the surety is less than "A" by A.M. Best, SPP may give the Credit Customer notice to submit substitute Financial Security no later than three (3) Business Days after the notice.
- 7.1.5.3 Costs.** The applicable Credit Customer shall bear all costs of providing and maintaining the Surety Bond.
- 7.1.5.4 Substitution of Surety Bond.** The Credit Customer may replace a Surety Bond with a substitute Surety Bond or other Financial Security in form and amount acceptable to SPP. SPP will return the initial Surety Bond upon receipt of an effective and acceptable substitute.
- 7.1.5.5 Term and Renewal.** The surety may terminate the Surety Bond upon ninety (90) days written notice to SPP; *provided, however*, that: (i) the surety's liability hereunder shall survive such

termination and remain in full force and effect as to obligations incurred by Credit Customer during the term of the Surety Bond; and (ii) in the event that Credit Customer fails to provide an acceptable form of replacement Financial Security to SPP at least eighty seven (87) days prior to the termination of the Surety Bond, the surety shall, upon demand, without any notice other than such demand, and without any further action by SPP deliver a Cash Deposit to SPP not later than the next Business Day in the amount of the full remaining value of the Surety Bond as Financial Security for Credit Customer's obligations to SPP.

7.1.5.6 Limits on Use of Surety Bonds.

a) To be eligible to provide Surety Bonds on behalf of a Credit Customer the applicable surety must have a Tangible Net Worth of \$1 billion or greater.

b) In no case shall SPP accept Surety Bonds with an aggregate value greater than \$10 million dollars (\$10,000,000) issued by any individual surety on behalf of an individual Credit Customer.

c) SPP shall not accept surety bonds with an aggregate value greater than \$50 million dollars (\$50,000,000) issued by any individual surety.

7.1.5.7 Use of Surety Bond. In the event a Credit Customer fails to make any timely payment to SPP, SPP may draw upon the Surety Bond as necessary to satisfy any and all amounts due from the Credit Customer pursuant to the Agreements. In such event, within three (3) Business Days, the Credit Customer must replenish the Surety Bond or provide SPP with other Financial Security in an amount equal to the draw or in such other amount as SPP may require under this Credit Policy, and failure to satisfy this requirement shall be a Default under this Credit Policy. In the event of such failure to make timely payment, and in addition to any other remedies available to SPP, SPP may draw down the entire Surety Bond and hold the proceeds in an unsegregated account and apply such proceeds to amounts owed by the Credit Customer to SPP pursuant to the Agreements. The foregoing sentence notwithstanding, upon the Credit Customer's written notice of request, SPP will treat as a Cash Deposit the proceeds of a draw over and above amounts currently due and unpaid and transfer same to a segregated account in accordance with such treatment, provided that the Credit Customer has executed a Credit and Security Agreement.

7.2 Financial Security Defaults. In addition to the breaches with respect to Financial Security identified in Section 7.1.2.3 (failure to replenish Cash Deposit), 7.1.3.6 (failure to replenish Irrevocable Letter of Credit), and 7.1.5.7 (failure to replenish a Surety Bond), any failure by an issuer of an Irrevocable Letter of Credit, or Surety Bond, or any breach of a Credit and Security Agreement shall be a Default under this Credit Policy and a default under the Tariff. A Default under this Credit Policy and a default under the 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 SPP); (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 SPP).

ARTICLE EIGHT

Default and Remedies

- 8.1 Default.** Any of the following shall constitute an “Event of Default” under this Credit Policy by a Credit Customer:
- 8.1.1** Failure to post any required Financial Security required under this Credit Policy in the time period specified;
 - 8.1.2** Reserved for Future Use;
 - 8.1.3** Failure to pay in full any amount payable under the Tariff, unless cured in accordance with Section 8.3 of this Credit Policy;
 - 8.1.4** A Credit Customer’s involvement in financial difficulties as evidenced by: (i) its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors, general partners or other governing body, the commencement of such a voluntary case; (ii) its filing an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to controvert timely the material allegations of any such petition; (iii) the entry of an order for relief in any involuntary case commenced under said Title 11; (iv) its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief; (v) the entry of an order by a court of competent jurisdiction (a) finding it to be bankrupt or insolvent, (b) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (c) assuming custody of, or appointing a receiver or other custodian for all or a substantial part of its property, and such entry or order shall not be vacated or stayed within ninety (90) days; (vi) the filing of a petition under Title 11 which shall not be vacated within ninety (90) days; or (vii) its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property.
 - 8.1.5** Commission of any other Default specified under this Credit Policy, including Defaults specified in Sections 3.2.2, 5.3.3, 6.3.4, 7.1.2.3., 7.1.3.6, 7.1.5.7, and 7.2.
 - 8.1.6** Except with respect to an event described in Sections 8.1.1 through 8.1.5, the failure to provide any of the Credit Information required under this Credit Policy in the time periods specified, and the failure to observe or perform any of the material terms or conditions or provisions set forth in this Agreement, and such

failure is not cured within two (2) Business Days after notice thereof from SPP. If such failure is a failure to provide any of the Credit Information required under this Credit Policy in the time periods specified, and the failure cannot reasonably be cured within such period, and if the Credit Customer has commenced and is diligently pursuing such cure and provides SPP with adequate assurance of due performance to protect SPP against loss arising from the failure to perform, the Credit Customer may request in writing stating the reasons for the delay and obtain an additional five (5) Business Days if the Credit Customer is a Large Company or a Small Company and ten (10) Business Days if the Credit Customer is a Not-For-Profit after the written notice of Default, as shall be necessary for the Credit Customer to cure the failure with all due diligence.

8.2 Notice of Financial Difficulties. Immediately upon the occurrence of an Event of Default as set forth in Section 8.1.4, the Credit Customer shall provide notice to SPP and a copy of any pleadings, orders, petitions, agreements or other document initiating or filed in connection with such Event of Default.

8.3 Remedies for Default. Upon the first occurrence of a customer default as described in Section 7.4 of the Tariff or an Event of Default (except as defined in Section 8.1.4 of this Credit Policy) within a twelve month period, SPP will take no action to suspend any Unsecured Credit Allowance as long as the default is remedied within the specified cure period. Should the first occurrence not be remedied within the specified cure period SPP will suspend any Unsecured Credit Allowance for ninety (90) calendar days. Upon the second customer default or Event of Default within a twelve (12) month period, SPP will suspend any Unsecured Credit Allowance for ninety (90) calendar days. The suspension will occur even if one or both occurrences were remedied within the specified cure period. SPP may, except to the extent such remedy is limited in this Credit Policy, exercise any rights or remedies it may have at law or in equity, including but not limited to bringing suit or otherwise initiating proceedings for monetary damages, injunctive relief, specific performance, and relief available under the Federal Power Act. If the Event of Default has not been cured by the Credit Customer within two (2) Business Days or as otherwise outlined under Section 8.1.6 after the Credit Customer's receipt of notice thereof, or, in the case of failure to pay in full amounts payable under Section 7 of the Tariff, within two (2) Business Days after the Transmission Customer's receipt of notice thereof, except as may be precluded under applicable law, SPP may terminate all of the Credit Customer's rights under this Credit Policy. Such termination shall not affect any liability of the Credit Customer incurred before and existing as of such termination. In addition, and without prejudice to any other remedies, SPP reserves all rights to terminate service in accordance with the Tariff and applicable law.

Upon the first occurrence of an Event of Default as defined in Section 8.1.4 of this Credit Policy, SPP will immediately suspend the Credit Customer's Unsecured Credit Allowance and may, at SPP's sole discretion, terminate all of the Credit Customer's rights under this Credit Policy and/or terminate service in accordance with the Tariff and applicable law. Any such termination shall not affect any liability that the Credit Customer incurred prior to and as of such termination. Upon the first occurrence of an Event of Default as defined in Section 8.1.4 of this Credit Policy, SPP also may order the Credit Customer to post additional collateral, cease one or more market transactions, or

take other measures to protect SPP and other Market Participants from the Credit Customer's Default.

ARTICLE NINE

Notice

- 9.1 Designation of Credit Contact.** Each Credit Customer shall in writing designate a management level official as the person responsible for the Credit Customer's credit-related matters under this Credit Policy ("Credit Contact"), which designation may be changed from time to time in writing, together with contact information including fax, e-mail, and courier delivery address. SPP will seek to effect delivery of notices under the Credit Policy to the Credit Contact in the first instance; however, if delivery to the Credit Contact fails, then SPP may effect delivery to any officer, executive, or manager of the Credit Customer.
- 9.2 Notices to SPP.** Any notice or request made by SPP shall be given in writing, by fax, email, hand delivery, reputable overnight courier, or first-class mail, to the Credit Customer's Credit Contact. Notice to SPP shall be addressed to:

Southwest Power Pool, Inc.
Credit and Risk Management Department
201 Worthen Drive
Little Rock, AR 72223-4936

Appendix "A"

Credit Application Form

Credit Customer Identification

1.1 Name of the Company as identified in its certificate of formation / incorporation

1.2 Date of formation / incorporation of the Company

1.3 Registration / file number with the applicable Secretary of State's Office

1.4 Please indicate all unique Company identifiers.

Company Ticker Symbol	
Market Cap	
Federal Tax ID Number	
NERC Acronym	
SIC Code	
DUNS Number	

1.5 Address of the registered office of the Company

Country	
Address	
Post Code	
City	
Phone	
Website	

1.6 Address of the trading office(s) of the Company

Country	
Address	
Post Code	
City	
Phone	
Website	

1.7 Please list any affiliated companies, including subsidiary companies of which your Company owns greater than 10%, that participate in SPP's markets or any other Independent System Operator or Regional Transmission Operator (ISO/RTO) markets.

Subsidiaries and Affiliates	ISO / RTO

1.8 What is the main business of your Company (as stated in the Company's certificate of incorporation, limited liability company agreement, partnership agreement or other applicable corporate governing documents)?

1.9 Please include a copy of your Company's Articles of Incorporation, Articles of Organization or similar documents.

Board, Shareholder, and Management Information

2.1 Please list board members (if applicable).

Full Name	Business Mailing Address

2.2 Please list any legal representatives (executive officers such as CEO, CFO, CRO, etc.) authorized to sign an agreement with SPP on behalf of the Company.

Full name	Authorized to sign?	Business Mailing Address	Tenure with Company
	<input type="checkbox"/> alone <input type="checkbox"/> jointly		
	<input type="checkbox"/> alone <input type="checkbox"/> jointly		
	<input type="checkbox"/> alone <input type="checkbox"/> jointly		

2.3 Please state your Company’s shareholders/owners and indicate their respective share or ownership percentage (>10%).

Full name	Percentage	Business Mailing Address

2.4 Please provide the following information for each individual, if any, who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, owns 25% or more of the equity interests of the Company.

Full name	Business Mailing Address

2.5 Please list the persons responsible, respectively, for payment of invoices, compliance, credit, trading activity and questions about this form.

Full name	Business Mailing Address	Contact details (business e-mail address and business phone number)
Payments:		
Compliance:		
Credit:		
Trading:		
Questions about this form:		

SPP Market Participation

- 3.1 Please indicate which of SPP’s products your Company transacts or intends to transact and include an estimate of the annual volumes by product (in MWh).

Real-Time Energy	
Day-Ahead Energy	
Virtual Energy	
Transmission Congestion Rights	
Transmission Service	

- 3.2 Please list forms of credit your Company intends to utilize to support trading exposure.

Cash (See Section 7.1.2 and Appendix B)	
Irrevocable Letter of Credit (See Section 7.1.3 and Appendices B and C)	List Bank Counterparty
Corporate Guarantee (See Section 3.1.3, Article Six, and Appendix D)	List Potential Guarantor
Surety Bond (See Section 7.1.5 and Appendices B and F)	List Issuing Surety

- 3.3 List your Company’s financial auditors and their addresses.

- 3.4 Please provide audited financial statements for the Company for the last three years, including any current third-party credit ratings.

- 3.5 List all amounts held for collateral with any ISO/RTO as recorded in total assets of your Company’s latest audited financial statements.

Loss Contingencies and Judgments

- 4.1 Has your Company (or an Affiliate), in the last five years: a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, b) filed a bankruptcy petition in any bankruptcy court proceeding, c) answered, consented, or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, d) admitted in writing its inability to pay its debts when due, e) made a general assignment for the benefit of creditors, f) been the subject of an involuntary proceeding seeking to adjudicate the Company (or affiliate) bankrupt or insolvent, g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors?
-

- 4.2 If yes to any question in 4.1, please provide a description of proceedings including applicable docket or case numbers.
-

- 4.3 Has your Company (or one or more of its affiliates), in the last five years, been found in violation of SEC, OCC, FERC, or CFTC requirements or any other federal or state regulation or law regarding energy commodities? Additionally, if not found in violation of such regulations and/or laws, has your Company (or its affiliates) settled allegations of violation with the applicable regulatory authority and/or paid fines related to activity in energy commodities?

If yes to any question in 4.3, please provide a description of proceedings including applicable docket or case numbers.

- 4.4 Has your Company ever failed to cure an unpaid invoice from any RTO/ISO in the last 5 years, or been found to be in default by an RTO/ISO, or been either suspended or expelled (i.e., had its participation revoked) from an ISO/RTO?

If yes to any question in 4.4, please provide an explanation of the situation, its outcome, and all other relevant factors associated with the event (including applicable docket or case numbers).

Signatures

The undersigned is duly authorized to declare and does hereby declare in good faith that all information, answers and documents provided with this Questionnaire are true, correct and authentic and that no relevant information is omitted.

Place	Date	Print Name: Title:
Signature		

Subscribed and sworn before me _____, a notary public of the State of _____, in and for the County of _____, this __ day of _____, 20_____.

(Notary Public Signature)

My commission expires: ___ / ___ / ___

Additional Not-For-Profit Questions

Additional sheets may be added to fully answer the following questions.

- 1. Does your company have the ability to set its own rates? If yes, please attach any documentation that will show that ability.**

- 2. What are the terms and expiration dates of your company's wholesale power contracts?**

- 3. How many customers do you serve directly? When considering your five largest customers that you directly serve, what percentage of your load do they represent?**

- 4. Please describe your power supply portfolio and how it is used to meet your load. What percent of your load is secured by asset ownership or purchase power contracts? Are these assets or contracts long-term in nature? What are the expiration dates of your contracts? What is the fuel mix of your power supply portfolio? Do you engage in risk management activities? If so, please provide a brief summary of such activities.**

- 5. How long has the present management team been in place? Please discuss their experience with the present firm and any previous experience.**

- 6. Discuss your ability to access lines of credit from financial institutions.**

- 7. Please discuss any other factors you want to have considered by SPP when assessing creditworthiness. If there are items concerning your financials that need explanation, please provide the explanation here.** If your company receives capital credits, please provide the associated cash portion of such capital credits, as well as the information needed to compute such an amount from your most recent audited financials.

Appendix “B” Credit and Security Agreement

This Credit and Security Agreement is effective as of the ____ day of _____, 20__, by and between _____ (“Company”) and Southwest Power Pool, Inc. (“SPP”).

Recitals

WHEREAS, SPP offers certain services, including certain transmission services, market services and other services as set out in the _____ Tariff of SPP, as may be amended and supplemented from time to time and together with all replacements and substitutes thereto (collectively, the “Tariff”);

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

WHEREAS, in the event Company provides financial assurance to SPP in the form of Cash Deposit, an Irrevocable Letter of Credit, a Surety Bond, or, for a Credit Customer that is a Federal Power Marketing Agency, a letter as specified in Section 7.1.4 of Attachment X, SPP requires Company, in accordance with the terms of its Credit Policy as filed and accepted by FERC, to execute this Credit and Security Agreement in order to assure the strength of SPP’s security interest in such Cash Deposit, Federal Power Marketing Agency Letter, Irrevocable Letter of Credit, or Surety Bond;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, Company and SPP hereby agree as follows:

(1) The “Liabilities” as used in this Credit and Security Agreement means all of the financial obligations of the Company under the Tariff and/or any and all agreements entered into, under, pursuant to, or in connection with the Tariff (including, without limitation, the SPP Credit Policy) and any and all other agreements to which SPP and the Company are parties (collectively, the “Agreements”).

(2) As security for the payment and performance of the Liabilities, SPP shall have, and the Company hereby grants to SPP, a continuing security interest in the following collateral (as indicated below) (the "Collateral"): all of the Company's right, title, and interest in any and all cash, cash collateral, Cash Deposits and deposit accounts of the Company held or controlled by SPP, including accounts designated "for the benefit of" Company, that either (i) are or contain proceeds from any draw upon any Irrevocable Letter of Credit or Surety Bond naming SPP as beneficiary to the extent that SPP determines in its sole discretion to treat such payments as cash collateral, and without prejudice to SPP's right to treat draws as payments to SPP of any and all amounts due to SPP from the Company, or (ii) are or contain cash submitted by the Company as collateral or security, 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.

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

(4) The Company agrees to do such reasonable acts and things and deliver or cause to be delivered such other documents as SPP may reasonably deem necessary to establish and maintain a valid perfected security interest in the Collateral (free of all other liens and claims except those of SPP) 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 SPP. The Company authorizes SPP to file a financing statement or statements on its behalf in those public offices deemed advisable or necessary by SPP to protect the security interest of the Company herein granted. If permitted by law, the Company agrees that a carbon, photographic or other reproduction of this Credit and Security Agreement or of a financing statement may be filed as a financing statement.

(5) Subject to the Tariff, upon the occurrence of any Default and at any time thereafter, SPP 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 Arkansas Uniform Commercial Code, as in effect from time to time, including, without limitation, the right to retain and/or take possession of the Collateral. SPP 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 the same as security for the Liabilities or apply it on amounts due on Liabilities.

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

(7) Whenever possible each provision of this Credit and Security Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Credit and 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 Credit and Security Agreement. The Company recognizes that SPP has relied on this Credit and Security Agreement in extending credit to the Company and agrees that such reliance by SPP shall be sufficient consideration for this Credit and Security Agreement.

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

This Credit and Security Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Arkansas (without giving effect to the principles of conflicts of laws thereof).

Company Name

Authorized Signature

Print Name

Title

SOUTHWEST POWER POOL, INC.

By:

Authorized Signature

Print Name

Title

Appendix “C” Form of Irrevocable Standby Letter of Credit

Irrevocable Standby Letter of Credit No. _____

Issued: [Date]

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

Ladies and Gentlemen:

We 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 Southwest Power Pool, Inc. (“Beneficiary” or “SPP”) (“Letter of Credit”).

This Letter of Credit is irrevocable and is issued, presentable and payable and we guaranty to the Beneficiary of this Letter of Credit that drafts drawn 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 Account Party 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 the following address:

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 Southwest Power Pool, 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: SPP’s 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 SPP 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 eighty-seven (87) 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.” The Beneficiary hereby draws upon the Letter of Credit in an amount equal to \$ _____ (United States Dollars _____ and 00/100)”; or
 3. “As of the close of business on _____, 20__ (fill in date which is more than three (3) 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), Account Party has failed to replace the Letter of Credit in a manner acceptable to Beneficiary.” The Beneficiary hereby draws upon the Letter of Credit in an amount equal to \$ _____ (United States Dollars _____ and 00/100)”.

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 presentations 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 year from the expiration date hereof, or any future expiration date, unless at least 90 days prior to any expiration date we notify you by registered mail or overnight courier that we elect not to consider this Letter of Credit extended for any such period.

This Letter of Credit may be terminated upon Beneficiary’s receipt of full payment from the Account Party 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 reduced by the amount of any drawings hereunder.
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. Except when the amount of this Letter of Credit is increased this Letter of Credit may not be amended, changed or modified without the express written consent of the Beneficiary and the Issuer. Such consent may be delivered by electronic means including electronic mail to -
_____.
6. 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 Arkansas 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 Arkansas laws, the ISP shall control.

[Authorized Signature]

[Date]

Name: _____

Title: _____

Appendix “D” Guaranty Form

GUARANTY AGREEMENT

This Guaranty Agreement (the “Guaranty”) is made by _____ (“Guarantor”), a _____ corporation, in favor of Southwest Power Pool, Inc. (“Creditor”), an Arkansas nonprofit corporation.

WHEREAS, one or more direct or indirect subsidiaries of the Guarantor (each referred to individually as “Debtor” and collectively as “Debtors”) and the Creditor are parties to certain agreements pursuant to, or in connection with, the Creditor’s Open Access Transmission Tariff, whether now existing or hereafter arising in accordance with their respective terms (each referred to individually as “Agreement” and collectively as “Agreements”);

WHEREAS, Guarantor is the direct or indirect parent of the Debtor, will receive substantial and direct benefits from the extensions of credit contemplated by the Agreements and has agreed to enter into this Guaranty to provide assurance for the performance of Debtor’s obligations in connection with the Agreements and to induce the Creditor to enter into the Agreements; and

WHEREAS, the execution and delivery of this Guaranty is a condition to Creditor’s further performance of its obligations under the terms of the Agreements;

NOW, THEREFORE, in consideration of the promises and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. **Guaranty.** Guarantor hereby unconditionally and absolutely guarantees the punctual payment as and when due of Debtor’s payment obligations arising under any Agreement, as such Agreement may be amended or modified from time to time, together with any interest thereon (collectively, the “Guaranteed Obligations”). Guarantor’s obligations and liability under this Guaranty shall be limited to payment obligations only and Guarantor shall have no obligation otherwise to perform under any Agreement, including, without limitation, to sell, deliver, purchase, receive, or transmit any electrical energy product or service.
2. **Guaranty Absolute.** The liability of Guarantor under this Guaranty shall be absolute and unconditional irrespective of:
 - (a) any lack of validity or enforceability of or defect or deficiency in any Agreement or any other documents executed in connection with any Agreement;
 - (b) any modification, extension or waiver of any of the terms of any Agreement;
 - (c) any change in the time, manner, terms or place of payment of or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of

or any consent to departure from any Agreement or any other agreement or instrument executed in connection therewith;

- (d) any sale, exchange, release or non-perfection of any property standing as security for the liabilities hereby guaranteed, or any liabilities incurred directly or indirectly hereunder or any setoff against any of said liabilities, or any release or amendment or waiver of or consent to departure from this Guaranty or any other guaranty, for all or any of the Guaranteed Obligations;
- (e) except as to applicable statutes of limitation, failure, omission, delay, waiver or refusal by Creditor to exercise, in whole or in part, any right or remedy held by Creditor with respect to any Agreement or any transaction under any Agreement;
- (f) any change in the existence, structure or ownership of Guarantor or any Debtor, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Debtor or its assets; or
- (g) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Debtor or any other individual, partnership, joint venture, corporation, association, trust or other enterprise that is a party to any Agreement, or any other agreement or instrument (including any guarantor) in respect of the Guaranteed Obligations, other than payment in full of the Guaranteed Obligations.

The obligations of the Guarantor hereunder are several from any Debtor or any other person, and are primary obligations concerning which the Guarantor is the principal obligor. There are no conditions precedent to the enforcement of this Guaranty, except as expressly contained herein. It shall not be necessary for Creditor, in order to enforce payment by Guarantor under this Guaranty, to show any proof of any Debtor's default, to exhaust its remedies against any Debtor, any other guarantor, or any other person liable for the payment or performance of the Guaranteed Obligations. Creditor shall not be required to mitigate damages or take any other action to reduce, collect, or enforce the Guaranteed Obligations.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations are annulled, set aside, invalidated, declared to be fraudulent or preferential, rescinded or must otherwise be returned, refunded or repaid by Creditor upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Debtor or any other guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Debtor or any other guarantor or any substantial part of its property or otherwise, all as though such payment or payments had not been made.

3. **Waiver.** This is a guaranty of payment and not of collection. Guarantor hereby waives:

- (a) notice of acceptance of this Guaranty, of the creation or existence of any of the Guaranteed Obligations and of any action by Creditor in reliance hereon or in connection herewith;
 - (b) notice of the entry into any Agreement between any Debtor and the Creditor and of any amendments, supplements or modifications thereto; or any waiver of consent under any Agreement, including waivers of the payment and performance of the obligations thereunder;
 - (c) notice of any increase, reduction or rearrangement of any Debtor's obligations under any Agreement or any extension of time for the payment of any sums due and payable to the Creditor under any Agreement;
 - (d) except as expressly set forth herein, presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest or any other notice of any other kind with respect to the Guaranteed Obligations; and
 - (e) any requirement that suit be brought against, or any other action by Creditor be taken against, or any notice of default or other notice be given to, or any demand be made on, Debtor or any other person, or that any other action be taken or not taken as a condition to Guarantor's liability for the Guaranteed Obligations under this Guaranty or as a condition to the enforcement of this Guaranty against Guarantor.
4. **Expenses.** Notwithstanding and in addition to the limit on Guarantor's liability hereunder set forth in Section 1, Guarantor agrees to pay on demand any and all costs, including reasonable legal fees and expenses, and other expenses incurred by Creditor in enforcing Guarantor's payment obligations under this Guaranty; provided that the Guarantor shall not be liable for any expenses of Creditor if no payment under this Guaranty is due.
5. **Subrogation.** Guarantor shall be subrogated to all rights of Creditor against the Debtors in respect of any amounts paid by Guarantor pursuant to this Guaranty, provided that Guarantor waives any rights it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. § 509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of the Creditor against any Debtor or any collateral which the Creditor now has or acquires, until all of the Guaranteed Obligations shall have been irrevocably paid to Creditor in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of Creditor and shall forthwith be paid to Creditor to be applied to the Guaranteed Obligations. If (a) the Guarantor shall perform and shall make payment to Creditor of all or any part of the Guaranteed Obligations and (b) all the Guaranteed Obligations shall have been paid in full, Creditor shall, at the Guarantor's request, execute and deliver to

the Guarantor appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of any interest in the Guaranteed Obligations resulting from such payment by Guarantor.

6. **Setoff.** The Creditor is hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by the Creditor to or for the account of Guarantor against any and all of the obligations of Guarantor under this Guaranty, irrespective of whether or not the Creditor shall have made any demand under this Guaranty or such Agreement and although such obligations may be contingent and unmatured. The Creditor agrees promptly to notify Guarantor after any such set-off and application made by the Creditor provided that the failure to give such notice shall not affect the validity of such set-off and application.
7. **Notices.** All demands, notices and other communications provided for hereunder shall, unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon delivery, when mailed by U.S. mail, registered or certified, return receipt requested, postage prepaid, by express courier with traceable receipt, by facsimile, or personally delivered. Notices shall be sent to the following addresses:

If to Creditor:

Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223-4936
Attention: Credit and Risk Management Department

If to Guarantor:

8. **Demand and Payment.** Any demand by Creditor for payment hereunder shall be in writing, signed by a duly authorized officer of Creditor and delivered to the Guarantor pursuant to Section 7 hereof, and shall (a) reference this Guaranty, (b) specifically identify the Debtor, the Guaranteed Obligations to be paid and the amount of such Guaranteed Obligations, and (c) set forth payment instructions. There are no other requirements of notice, presentment or demand. Guarantor shall pay, or cause to be paid, such Guaranteed Obligations within two (2) business days of receipt of such demand.
9. **No Waiver; Remedies.** Except as to applicable statutes of limitation, no failure on the part of Creditor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The

remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. **Term; Termination.** This Guaranty shall continue in full force and effect for the term of the Agreements. Notwithstanding the foregoing, this Guaranty may be terminated at any time by the Guarantor by providing at least sixty (60) days' prior written notice to Creditor; provided, however, upon termination hereof, Guarantor agrees that the obligations and liabilities hereunder shall continue in full force and effect with respect to any obligations incurred prior to the termination date, and any fees and costs of enforcement in connection herewith.
11. **Assignment; Successors and Assigns.** Creditor may, upon notice to Guarantor, assign its rights hereunder without the consent of Guarantor. Guarantor may assign its rights hereunder with the prior written consent of Creditor, which consent shall not be unreasonably withheld. Subject to the foregoing, this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, and legal representatives.
12. **Amendments, Etc.** A written amendment executed by the Guarantor only may (a) increase the guaranty limit specified in Section 1 and/or (b) extend the termination date of this Guaranty. No other amendment of this Guaranty shall be effective unless in writing and signed by Guarantor and Creditor. No waiver of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall in any event be effective unless such waiver shall be in writing and signed by Creditor. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given.
13. **Captions.** The captions in this Guaranty have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Guaranty.
14. **Representation and Warranties.**

The Guarantor represents and warrants as follows:

- (a) the Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power to execute, deliver and perform this Guaranty. This representation is evidenced by a copy of the resolution(s) of the board of directors or other governing body of the Guarantor authorizing this Guaranty, which is attached to and made a part of this Guaranty;
- (b) the execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene the Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets;

- (c) this Guaranty is not in violation of other undertakings or requirements applicable to Guarantor, and is enforceable against the Guarantor in accordance with these terms;
 - (d) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting Creditor's rights and to general equity principles; and
 - (e) the audited financial statements of Guarantor for the most recent fiscal year and the unaudited financial statements of Guarantor for the most recent quarter (the "Financial Statements"), heretofore delivered to Creditor or filed with the United States Securities Exchange Commission by Guarantor present fairly the financial condition and results of operations of Guarantor and its consolidated subsidiaries as of the dates and for the period specified therein in conformity with United States generally accepted accounting principles, and, except as otherwise expressly stated therein, consistently applied. Except as expressly stated to Creditor in writing, there has been no Material Adverse Change in the financial condition of Guarantor and its consolidated subsidiaries since the dates of the Financial Statements.
15. **Limitation by Law.** All rights, remedies and powers provided in this Guaranty may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Guaranty are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render this Guaranty invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.
16. **GOVERNING LAW; SUBMISSION TO EXCLUSIVE JURISDICTION. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ARKANSAS AND ANY APPLICABLE FEDERAL LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF ANY ARKANSAS STATE COURT SITTING IN PULASKI COUNTY, ARKANSAS, OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF ARKANSAS, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES HEREBY WAIVE ANY OBJECTION TO VENUE IN PULASKI COUNTY, ARKANSAS, AND ANY OBJECTION TO ANY ACTION OR PROCEEDING ON THE BASIS OF FORUM NON CONVENIENS.**

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer effective as of this ___ day of _____, _____ (“Effective Date”).

[GUARANTOR]

By: _____
Name: _____
Title: _____

Appendix “E” Annual Minimum Market Participation Criteria and Risk Management Certification Form

SPP ANNUAL MINIMUM MARKET PARTICIPATION CRITERIA – RISK MANAGEMENT CERTIFICATION FORM

I, _____, a duly authorized officer of _____ (“Market Participant”), understanding that Southwest Power Pool, Inc. (“SPP”) is relying on this certification as evidence supporting SPP’s determination that Market Participant meets the risk management and minimum market participation requirements as set forth in Attachment X to SPP’s Open Access Transmission Tariff (“Tariff”), hereby certify that I have full authority to certify and represent on behalf of Market Participant and further certify and represent as follows:

1. **Training.** Employees or agents transacting in markets or services provided pursuant to the Tariff on behalf of the Market Participant have received, or will receive, applicable training with regard to their participation under the Tariff as a condition of being authorized to transact on behalf of Market Participant. As used in this representation, training is deemed ‘applicable’ where it is commensurate and proportional in sophistication, scope and frequency to the volume of transactions and the nature and extent of the risk taken by the Market Participant.
2. **Risk Management.** Market Participant maintains current written risk management policies and procedures that address those risks that could materially affect Market Participant’s ability to pay its SPP invoices when due, including, but not limited to, credit risks, liquidity risks and market risks.
3. **Operational Capabilities.** Market Participant has available appropriate personnel resources, operating procedures, and technical abilities to promptly and effectively respond to SPP communications and directions related to, but not limited to, settlements, billing, credit requirements and other financial matters.
4. **Minimum Participation Criteria.** Market Participant meets or exceeds the minimum market participation criteria, including capitalization requirements, as specified in Section 3.1.1.8 of Attachment X of the Tariff. The Market Participant shall submit audited financial statements for the most recent fiscal year to demonstrate minimum Tangible Net Worth or minimum total assets, or provide a report produced by a Rating Agency to establish its Credit Rating as specified in Section 3.1.1.8.2. In the event the Market Participant is unable to meet at least one of these minimum financial requirements, the Market Participant shall maintain with SPP the amount of Financial Security required by Section 3.1.1.8.2(e) of Attachment X to the Tariff.

Date: _____

(Signature)

Print Name: _____

Title: _____

Subscribed and sworn before me _____, a notary public of the State of _____,
in and for the County of _____, this ___ day of _____, 20__.

(Notary Public Signature)

My commission expires: _____ / _____ / _____

Appendix “F” FORM OF SURETY BOND

Surety Bond No. _____

THIS SURETY BOND is issued on [date] by [full legal name of surety] (“Surety”) on behalf of [full legal name of SPP customer] (“Principal”), and in favor of Southwest Power Pool, Inc. (“SPP”). Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to those terms in SPP’s Open Access Transmission Tariff (“OATT”).

WHEREAS, Principal seeks to satisfy credit or security requirements established in the OATT; and

WHEREAS, Surety is U.S. Treasury-listed with a minimum “A” rating from A.M. Best and has agreed, in exchange for compensation provided by Principal, to provide this Surety Bond on behalf of Principal in accordance with SPP’s credit requirements;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, Surety hereby agrees and covenants as follows:

1. Amount of Bond. Surety unconditionally and irrevocably agrees to pay SPP amounts not to exceed an aggregate of [amount], in accordance with the terms of this Surety Bond.
2. Payment Upon Demand. Surety shall pay such amount as specified by SPP upon receipt of a demand for payment notice (“Demand for Payment Notice”). Such Demand for Payment Notice shall be: (i) signed by an officer or authorized agent of SPP, (ii) dated the date of presentation, and (iii) be in the form as set forth in Exhibit A, Exhibit B, or Exhibit C, as applicable.
3. Validation. SPP may demand payment pursuant to this Surety Bond without prior demonstration of the validity of the demand.
4. Multiple Draws. SPP may demand multiple payments pursuant to this Surety Bond; *provided, however*, that the total amount of Surety’s obligation hereunder shall not exceed an aggregate of [amount].
5. Time and Form of Payment. Surety shall pay amounts owed pursuant to this Surety Bond in full not later than the first business day following receipt of SPP’s written demand for payment to the account designated therein.
6. Obligations Unconditional. This Surety Bond is not conditioned upon SPP first attempting to collect payment, resorting to any other means of security or collateral, or pursuing any other remedies it may have. The obligations of Surety hereunder are independent of the obligations of Principal, and SPP may bring an action against Surety without bringing an action against Principal. SPP may from time to time, without notice or demand, and without affecting Surety’s liability hereunder, take and hold other security for Principal’s obligations to SPP and exchange, waive, release, or apply such security as SPP deems appropriate in its sole discretion.

Surety's liability under this Surety Bond is not conditioned upon the validity or enforceability of Principal's obligations to SPP.

7. Term of Surety Bond. The term of this Surety Bond shall begin on the date of its issuance, as set forth above, and shall continue in full force and effect until all amounts owed by Principal pursuant to the Agreements, as that term is defined in the OATT, are paid in full, including any amounts owed as a result of true-ups or other corrections to previous settlements; *provided, however,* that Surety may terminate this Surety Bond as provided in Paragraph 8, below.

8. Termination. Surety may terminate this Surety Bond upon ninety (90) days written notice to SPP; *provided, however,* that: (i) Surety's liability hereunder shall survive such termination and remain in full force and effect as to obligations incurred by Principal during the term of this Surety Bond; and (ii) in the event that Principal fails to provide an acceptable form of replacement Financial Security to SPP at least eighty seven (87) days prior to the termination of this Surety Bond, Surety shall, upon demand, without any notice other than such demand, and without any further action by SPP deliver Cash Deposit to SPP not later than the next Business Day in the amount of the full remaining value of this Surety Bond as security for Principal's obligations to SPP. A Cash Deposit provided to SPP by Surety and not applied by SPP to satisfy unpaid obligations of Principal shall be returned to Surety at such time as: (i) Principal provides adequate replacement Financial Security to SPP or (ii) all amounts owed by Principal to SPP are paid in full, including amounts owed as a result of true-ups or other corrections to previous settlements.

9. Principal Pays Bond Costs. Principal shall pay all commissions and charges for this Surety Bond. Principal's failure to pay any such charges shall not be grounds for termination of this Surety Bond, except as provided in Paragraph 8, above.

10. Expenses. Surety shall pay all reasonable costs incurred by SPP in the enforcement of this Surety Bond, including attorney fees and expenses. Surety's obligation to pay such costs shall be in addition to other amounts owed pursuant to this Surety Bond and shall not be limited by the maximum stated amount of this Surety Bond.

11. Communications. Demands, notices, and other communications shall be deemed effective when received, shall be in writing, and shall be delivered by courier with receipt of delivery or by registered mail, certified mail, or facsimile to the following addresses:

- a. If to Surety:
[Surety notice address]

- b. If to SPP:
Attn: Credit and Risk Management Department
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223-4936
- c. If to Principal:
[Principal notice address]

Surety, SPP, or Principal may change the address provided for receipt of communications pursuant to this Surety Bond by providing written notice to the other parties.

12. Representations and Warranties. Surety represents and warrants to SPP that:

- a. Surety has the legal power to execute and deliver this Surety Bond and to perform in accordance with its terms. All necessary actions have been taken to authorize the execution and delivery of this Surety Bond and performance in accordance with its terms. This Surety Bond is a legal, valid, and binding obligation of Surety.

- b. There is no action or proceeding pending or, to Surety's knowledge, threatened before any court, arbitrator, or governmental agency that may materially adversely affect Surety's ability to perform its obligations under this Surety Bond.

- c. There is no fact that Surety has not disclosed in writing to SPP of which Surety is aware or which Surety can reasonably foresee that would materially adversely affect Surety or the ability of Surety to perform its obligations hereunder.

13. Assignment. SPP may assign its rights under this Surety Bond without in any way diminishing Surety's obligations hereunder. Surety shall not be permitted to assign or transfer its rights under this Surety Bond without prior written consent of SPP.

14. Amendment and Waiver. The terms and provisions of this Surety Bond may not be amended or waived except in a writing signed by SPP and Surety. Election not to exercise, failure to exercise, or delay in exercising any rights under this Surety Bond shall in no way operate as a waiver of any rights of SPP under this Surety Bond.

15. Entire Agreement. This Surety Bond embodies the entire agreement between Surety and SPP with respect to the matters set forth herein and supersedes all prior such agreements.

16. Severability. Should any provision of this Surety Bond be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective.

17. Choice of Law; Jurisdiction; Venue; and Service of Process. This Surety Bond shall be governed by the laws of the State of Arkansas without regard to conflict of laws principles. Surety irrevocably submits to the jurisdiction of any Arkansas court or any United States court sitting in Arkansas over any action or proceeding arising out of or relating to this Surety Bond and irrevocably agrees that all claims in such action or proceeding may be heard and determined

by such court. Surety 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. Surety waives any objection to venue on the basis of forum non conveniens. Surety irrevocably consents to the service of process in any action or proceeding by the mailing of copies of such process to Surety at its address set forth herein. Nothing herein shall affect the right of SPP to bring any action or proceeding against Surety or its property in the courts of any other jurisdictions.

18. Waiver of Jury Trial. SURETY IRREVOCABLY, VOLUNTARILY, AND WITH ADVICE OF COUNSEL WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION ARISING IN CONNECTION WITH THIS SURETY BOND.

IN WITNESS WHEREOF, Surety has executed and delivered this Surety Bond this **[date]**.

[Full Legal Name of Surety]

By: _____

Name:

Title:

EXHIBIT A

(Form of Demand for Payment Notice – Principal Failure to Make Payment)

[Date]¹

[Name and Address of Surety]²

Re: *Surety Bond No.* _____
Demand for Payment

To the above named Surety:

The undersigned hereby certifies to [full legal name of surety] (“Surety”), with reference to its Surety Bond No. [bond number], dated [execution date of Surety Bond], issued on behalf of [full legal name of SPP customer] (“Principal”) and in favor of Southwest Power Pool, Inc. (“SPP”) that Principal has failed to make payment in accordance with the terms of the Agreements as defined in SPP’s OATT. SPP hereby demands payment in the amount of \$ [amount] in accordance with the following instructions.

[Wiring Instructions]

Southwest Power Pool, Inc.

By: _____³

Name: _____

Title: _____

¹ The date of the Demand for Payment Notice must be the date for which presentation of the Notice is made.

² This will be the address of the Surety as set forth in the Surety Bond.

³ The undersigned must be an officer or authorized agent of SPP.

EXHIBIT B

(Form of Demand for Payment Notice – Principal Failure to Provide Acceptable Security)

[Date]⁴

[Name and Address of Surety]⁵

Re: *Surety Bond No.* _____
Demand for Payment

To the above named Surety:

The undersigned hereby certifies to [full legal name of surety] (“Surety”), with reference to its Surety Bond No. [bond number], dated [execution date of Surety Bond], issued on behalf of [full legal name of SPP customer] (“Principal”) and in favor of Southwest Power Pool, Inc. (“SPP”) that as of the close of business on [date] [date less than eighty-seven (87) days before the expiration of the Surety Bond],⁶ Principal has failed to renew, replace, or amend this Surety Bond in satisfaction of the credit requirements established pursuant to SPP’s OATT. SPP hereby demands payment in the amount of \$ [amount] in accordance with the following instructions.

[Wiring Instructions]

Southwest Power Pool, Inc.

By: _____⁷

Name: _____

Title: _____

⁴ The date of the Demand for Payment Notice must be the date for which presentation of the Notice is made.

⁵ This will be the address of the Surety as set forth in the Surety Bond.

⁶ Insert date less than eighty-seven (87) days prior to expiration of the Surety Bond.

⁷ The undersigned must be an officer or authorized agent of SPP.

EXHIBIT C

(Form of Demand for Payment Notice – Surety Rating Downgrade)

[Date]⁸

[Name and Address of Surety]⁹

Re: *Surety Bond No.* _____
Demand for Payment

To the above named Surety:

The undersigned hereby certifies to [full legal name of surety] (“Surety”), with reference to its Surety Bond No. [bond number], dated [execution date of Surety Bond], issued on behalf of [full legal name of SPP customer] (“Principal”) and in favor of Southwest Power Pool, Inc. (“SPP”) that as of the close of business on [date] [date more than three (3) business days after SPP has requested that Principal replace the Surety Bond because the Surety’s rating by A.M. Best is less than “A”], Principal has failed to replace this Surety Bond in a manner acceptable to SPP. SPP hereby demands payment in the amount of \$ [amount] in accordance with the following instructions.

[Wiring Instructions]

Southwest Power Pool, Inc.

By: _____¹⁰

Name: _____

Title: _____

⁸ The date of the Demand for Payment Notice must be the date for which presentation of the Notice is made.

⁹ This will be the address of the Surety as set forth in the Surety Bond.

¹⁰ The undersigned must be an officer or authorized agent of SPP.