

Attachment L

Creditworthiness Policy

1. Introduction

This guide establishes creditworthiness standards for transmission service and/or interconnection service customers (“Customers”) entering into new or amended service agreements with Fitchburg Gas and Electric Light Company (“FG&E”) under the ISO New England Open Access Transmission Tariff (“ISO-NE OATT”).⁵ In accordance with the Federal Energy Regulatory Commission’s Policy Statement on Credit-Related Issues for Electric OATT Transmission Providers, Independent System Operators and Regional Transmission Organizations (“Policy Statement”), this Creditworthiness Policy is intended to make FG&E’s credit-related practices more transparent and comprehensive. The following describes FG&E credit review procedures and the types of security that are acceptable to FG&E to protect against the risk of non-payment.

2. Creditworthiness

FG&E will evaluate the creditworthiness of Customers entering into new or amended transmission or interconnection service agreements with FG&E in order to assess a Customer’s credit risk relative to the exposure of “Total Outstanding Obligation” as defined in Section 2.1 below, created by the transaction or transactions that FG&E has with the Customer. For purposes of determining the ability of a Customer to meet its obligations, FG&E may require the Customer to submit financial information for the credit review, including credit ratings, credit reports and audited financial statements for the last five years, including audited quarterly reports for the prior two years, if available. Further, the Customer will be expected to provide calculations of the following: Current Total Capitalization Ratio, Including Short-Term Debt; Tangible Net Worth for a period within sixty days of a Customer’s request; Earnings Before Interest, Taxes, Depreciation and Amortization for twelve of the last fifteen consecutive months; and additional calculations and other information deemed necessary for the evaluation credit. In completing its evaluation, FG&E may consider other factors including but not limited to past billing history or the characteristics of service being requested.

2.1 Total Outstanding Obligation

⁵ See ISO New England Inc., ISO New England Inc. Transmission, Markets and Services Tariff, Section II. This policy is applicable to transmission or interconnection service agreements established from time-to-time under Schedules 21 - FG&E of the ISO-NE OATT and to individually negotiated agreements for similar transmission or interconnection services.

The Customer's Total Outstanding Obligation to FG&E will be the sum total of the following components:

2.1.1 If the Customer is making payments to FG&E for ongoing expenses (including, but not limited to, O&M expenses related to interconnections or other monthly charges such as monthly transmission charges under Schedule 21 – FG&E) the Customer will be required to provide security pursuant to Section 2.2 below, for four months' worth of the Customer's average payment obligation for such charges.

2.1.2 In accordance with the provisions of the ISO-NE OATT, a Customer will pay a Contribution in Aid of Construction ("CIAC") or transfer ownership of facilities to FG&E for transmission or interconnection facilities that are to be constructed on behalf of a Customer at the Customer's sole expense. If FG&E determines in good faith that the receipt of CIAC payments or property from the Customer are non-taxable, FG&E will require a form of security from the customer pursuant to Section 2.2 below for the amount of the potential tax liability to FG&E that would occur if such facilities were deemed taxable.

2.1.3 In accordance with the provisions of Schedule 21 – FG&E to the ISO-NE OATT, a Customer will pay a formula rate over time for return of and on the cost of capital incurred by FG&E on behalf of a Customer at the Customer's sole expense. The Customer will also be required to provide security pursuant to Section 2.2 below, for the unamortized balance of plant in service reserved for the sole use of the Customer.

2.2 Creditworthiness Requirements

A Customer will be considered creditworthy upon satisfying at least one of the following conditions or a combination of those conditions at the time that the customer enters into a transmission or interconnection service agreement and for so long as the Customer maintains satisfaction of at least one of these conditions for any outstanding obligations thereunder:

2.2.1 The Customer maintains a minimum credit rating from Standard & Poor's Long-term Issuer Credit Rating of BBB- or better or Moody's Investors Service Long-term Issuer Credit Rating of Baa3 or better so long as the Customer's Total Outstanding Obligation plus any other unsecured obligations with FG&E does not exceed the Credit Limits discussed in Section 4 below. When FG&E reviews a Customer's rating from two or more rating agencies and a split

rating is present, the lower debt rating will apply. In the event that the Customer has no rating from either Standard & Poor's or Moody's Investors Service, a rating from Fitch may also be used with acceptable ratings equivalent to those from either Standard and Poor's or Moody's Investors Service. If unrated, the Customer's financial statements will be reviewed to determine an equivalent rating based on the Customer's unsecured credit limits and/or financial statements.

If, at any time, the Customer's rating falls below investment grade (BBB- from Standard and Poor's and/or Baa3 from Moody's or equivalent ratings from Fitch), the Customer will be required to (i) notify FG&E within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to FG&E, as described in this Section 2.2.

2.2.2 The Customer provides and maintains in effect during the term of and until full and final payment and performance of the service agreement an unconditional and irrevocable standby letter of credit for the Total Outstanding Obligation in the form and substance and issued by a bank reasonably acceptable to FG&E. A draft, acceptable form letter of credit is attached. Any such bank must satisfy the creditworthiness criteria described in 2.2.1 above.

If, at any time, the bank's rating falls below investment grade (BBB- from Standard and Poor's and/or Baa3 from Moody's or equivalent ratings from Fitch), the Customer will be required to (i) notify FG&E within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to FG&E, as described in this Section 2.2.

2.2.3 If the Customer's parent or an affiliate company satisfies the creditworthiness criteria described in 2.2.1 above and, subject to the Credit Limits stated in Section 4 below, such company submits to FG&E and maintains in effect a letter of guaranty reasonably acceptable to FG&E as to amount, form and substance for the term of and until full and final payment and performance of the service agreement.

If, at any time, the credit rating of the Customer's parent or affiliate providing the guaranty falls below investment grade (BBB- from Standard and Poor's and/or Baa3 from Moody's or equivalent ratings from Fitch), the Customer will be required to (i) notify FG&E within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to FG&E, as described in this Section 2.

2.2.4 The Customer makes an advance payment to FG&E in immediately available funds for the Total Outstanding Obligation.

3. Customer Costs Requiring Prepayment

In accordance with the provisions of the ISO-NE OATT, a Customer will pay a Contribution in Aid of Construction (“CIAC”) for transmission or interconnection facilities to be constructed by FG&E on behalf of a Customer at the Customer’s sole expense. The Customer will have the option to (i) prepay the CIAC in immediately available funds to FG&E, or (ii) make periodic CIAC progress payments, as defined in the Customer’s service agreement, to prepay in increments capital costs scheduled to be incurred by FG&E. If FG&E determines in good faith that such payments or property transfers made by the Customer should be reported as income subject to taxation, the Customer shall also prepay all costs associated with the cost consequences of the current tax liability imposed on FG&E by those facilities (the “Tax Gross- up”).

4. Determination of Credit Limits

FG&E reserves the right to limit the total amount of unsecured credit extended to a Customer under 2.2.1 and 2.2.3 above such that the sum of all unsecured credit that such Customer has with FG&E, including the Total Outstanding Obligation, shall not exceed the Credit Limits defined below. Such limitations are based on an assessment of the Customer’s or its Guarantor’s credit rating and the net worth of the Customer’s or its Guarantor’s assets.

Standard and Poor’s (or Equivalent) Rating	Unsecured Credit Limit as Percent of Customer’s or Guarantor’s Tangible Net Worth
A and above	1.0%
A-	0.5%
BBB+	0.3%
BBB	0.2%
BBB-	0.1%

Once FG&E has evaluated or reevaluated and determined the maximum Credit limits for each Customer, it will inform the prospective Customer of the amount of such credit limits. A customer may request in writing a reevaluation of the maximum Credit limits, within 14 days from the date that they were informed by FG&E of such limits. Justification for such a reevaluation should be contained in the

request. All requests for reevaluation must be submitted directly to the FG&E Contract Administrator.

From time to time, principally due to unknown factors such as changing market, economic, banking or other financial conditions, but not solely limited to these factors, FG&E may find it necessary to modify or amend its creditworthiness policies and guidelines after a 15 day notice period and require that present and future Transmission Customers fulfill any additional conditions contained in the modified Creditworthiness Guide. Transmission Customers will have 30 days after the notice period to cure any deficiency.