

ATTACHMENT M

Basic Credit Standards

For the purpose of determining the ability of the Transmission Customer to meet its obligations related to service received under this Tariff, the Transmission Provider may require reasonable credit review procedures. This review shall be made in accordance with standard commercial practices using quantitative and qualitative criteria to determine the level of secured and unsecured credit. The basic credit standards set forth below are supplemented by detailed creditworthiness standards and practices that are provided on the Transmission Provider's OASIS site.

Summary of Credit Review Procedures

The creditworthiness of the Transmission Customer or potential Transmission Customer, also referred to as Transmission counterparty, must be determined through a fundamental analysis of the Transmission Customer's financial and operational condition prior to receiving service under this Tariff. Both quantitative and qualitative criteria will be evaluated in the comprehensive credit review process. Examples of the criteria used in the credit review process include but are not limited to the following:

Quantitative Criteria

- a) Financial ratios (capitalization metrics, return on equity and asset metrics, operating and net margin metrics, tangible net worth metrics, debt and interest coverage metrics, cash flow metrics, purchased power expense metrics, etc.);
- b) Financial trends (year to year, quarter to quarter, etc.);
- c) Bond ratings;
- d) Off-balance sheet items.

Qualitative Criteria

- a) Counterparty market position;
- b) Management reputation;
- c) Executive succession plan;
- d) Power supply portfolio;
- e) Asset and investment quality;
- f) Risk profile of industry classification;
- g) Corporate strategy;
- h) Risk management capability; Credit Qualification and Approvals

Qualification for Unsecured Credit

Transmission counterparties may apply for unsecured credit by completing a BPA Credit Application and submitting it to an Account Executive or directly to Credit Risk Management. There are two methods for counterparties to potentially qualify for unsecured credit with the Transmission Provider.

Qualification Method 1

Following are the criteria that must be satisfied for qualification under Qualification Method 1:

- i) The counterparty is a distribution utility and has the direct authority to establish and adjust rates to recover costs, including power costs, without seeking approval from a regulatory agency;
- ii) The counterparty is not in default to the Transmission Provider or another known party and has not been in default to the Transmission Provider or another known party during the prior year; and
- iii) The counterparty has not experienced a material adverse change in its financial condition or payment practices during the prior year.

Counterparties qualifying for credit under Method 1 may alternatively choose to be evaluated for a higher credit limit under Method 2

Qualification Method 2

To qualify for credit under Qualification Method 2, counterparties must undergo a comprehensive creditworthiness evaluation. These counterparties are required to provide the following information:

- i) Three years of audited financial statements including income statement, balance sheet, cash flow statements, and accompanying footnotes (Counterparties without three years of audited financial statements should provide the maximum number of years available)

Counterparties that apply for unsecured credit under Method 2 will be assigned an internal credit rating based upon the evaluation of the quantitative and qualitative criteria listed in the Transmission Provider's current Business Practices. The Transmission Provider's internal credit rating has the same rating scale as Standard and Poor's (e.g. AAA, AA, A, BBB, BB, etc.).

All counterparties qualifying under Method 2 will be re-evaluated for creditworthiness at least annually and may be required to provide updated financial information to the Transmission Provider's Credit Risk Management department. Counterparties with internal credit ratings of investment grade or higher will qualify for unsecured credit. Counterparties rated below investment grade will need to provide an acceptable form of credit support.

List of Acceptable Forms of Collateral/Security

Counterparties whose internal rating are below investment grade or that previously were rated internally at or above investment grade, but are downgraded by the Transmission Provider as the result of a subsequent credit review to below grade, will be subject to credit support demands as described below.

Acceptable credit support could include one or a combination of the following:

- a. Corporate guarantee from an entity assigned by the Transmission Provider an internal rating of BBB- or better (pre-approved BPA standard guarantee form is available);
- b. Irrevocable Standby Letter of Credit from a financial institution assigned a Senior Unsecured Credit Rating from Moody's or Standard & Poor's of "A" or better;
- c. Prepayment arrangement;

- d. Contract amendment to shorten the credit exposure period and effectively reduce the Transmission Provider's settlement and potential incremental settlement exposures;
- e. Other form of credit support reasonably acceptable to the Transmission Provider.

Notification of Changes in Creditworthiness and Ability to Post Additional Credit Security

If the Transmission Provider determines there is a change in the creditworthiness of Transmission Customer or Transmission Customer's guarantor and such change would affect the level of credit security required by Transmission Provider, Transmission Provider will notify Transmission Customer in writing within thirty (30) days of such determination. In its notification to the Transmission Customer the Transmission Provider will identify any changes to Transmission Customer's credit security requirements. Should the Transmission Provider require the Transmission Customer to post new or additional credit security, the Transmission Customer must post credit security in an amount determined within five (5) business days of receipt of a written notification from Transmission Provider of a change in the creditworthiness of Transmission Customer or Transmission Customer's guarantor.

Contesting Credit Determinations

The Transmission Customer has the opportunity to contest the Transmission Provider's determination of Transmission Customer's creditworthiness or credit security requirements by submitting a written notice to the Transmission Provider explaining its reasons for contest.