

## **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 Unitil Energy Systems, Inc. (“UES”) under the ISO New England Open Access Transmission Tariff (“ISO-NE OATT”).<sup>5</sup> 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 UES’s credit-related practices more transparent and comprehensive. The following describes UES credit review procedures and the types of security that are acceptable to UES to protect against the risk of non-payment.

#### **2. Creditworthiness**

UES will evaluate the creditworthiness of Customers entering into new or amended transmission or interconnection service agreements with UES 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 UES has with the Customer. For purposes of determining the ability of a Customer to meet its obligations, UES 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, UES may consider other factors including but not limited to past billing history or the characteristics of service being requested.

##### **2.1 Total Outstanding Obligation**

The Customer’s Total Outstanding Obligation to UES will be the sum total of the following components:

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<sup>5</sup> 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 - UES of the ISO-NE OATT and to

2.1.1 If the Customer is making payments to UES 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 – UES) 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 UES for transmission or interconnection facilities that are to be constructed on behalf of a Customer at the Customer’s sole expense. If UES determines in good faith that the receipt of CIAC payments or property from the Customer are non-taxable, UES will require a form of security from the customer pursuant to Section 2.2 below for the amount of the potential tax liability to UES that would occur if such facilities were deemed taxable.

2.1.3 In accordance with the provisions of Schedule 21 – UES 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 UES 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 UES does not exceed the Credit Limits discussed in Section 4 below. When UES 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 UES within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to UES, 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 UES. 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 UES within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to UES, 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 UES and maintains in effect a letter of guaranty reasonably acceptable to UES 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 UES within 10 days and, (ii) within 30 days, provide another form of security reasonably acceptable to UES, as described in this Section 2.

2.2.4 The Customer makes an advance payment to UES 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 UES 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 UES, 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 UES. If UES 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 UES by those facilities (the “Tax Gross- up”).

### **4. Determination of Credit Limits**

UES 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 UES, 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 UES 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 UES of such limits. Justification for such a reevaluation should be contained in the request.

All requests for reevaluation must be submitted directly to the UES 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, UES 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.