

Network Customer Meeting

November 17, 2005



ATC Risk Management

- Identify and protect ATC from possible adverse situations
- Understand customer needs
- Strike a balance between protecting ATC and enabling customers within the ATC footprint
- Anything less is a transfer of risk to ATC and its owners

Recent Examples

- MISO Transmission Credit Requirements
 - Initiated: by the TDUs in Wisconsin
 - Situation: minimal amount of available unsecured credit after transmission service
 - Resolution:
 - stricter billing and payment standards
 - more unsecured credit available to TDUs

Recent Examples

- MISO Transmission Billing
 - Initiated: by the Wisconsin TDUs, ATC and the MISO Credit Practices Working Group
 - Situation: Stricter billing and payment standards with painful consequences of a late payment
 - Resolution:
 - ATC initiated meetings with the payment departments of our customers
 - ATC offer to initiate payment on behalf of the customer
 - Risk shift?



Recent Examples

- ATC Transmission Credit Standards – formally documenting the requirements for the acceptance of a parental guarantee for interconnection agreements
- Parental guarantee is acceptable in lieu of a letter of credit or cash deposits
- Acknowledgement of strong financials
- See Appendix H1 for the complete documentation

Parental Guarantee Requirements

- Interconnection Customer must have:
 - Short-term debt program that in the majority is rated by S&P, Moody's and Fitch at least A3/P3/F3 respectively
- Parent or Guarantor must have:
 - Short-term debt program that in the majority is rated by S&P, Moody's and Fitch at least A2/P2/F2 respectively

Parental Guarantee Requirements

- Degradation of credit ratings
 - If the interconnection customer and/or the parent company's credit ratings fall below the prescribed minimums, the parental guarantee must be replaced by cash deposits or a letter of credit within 10 days
- Upgrade in credit ratings
 - If the interconnection customer and/or the parent company's credit ratings are upgraded and meet the prescribed minimums, a parental guarantee will be accepted and the cash deposits or a letter of credit will be returned upon receipt of the parental guarantee

Questions?