

**SCHEDULE 20A - VP
VERSANT POWER
PHASE I/II HVDC-TF SERVICE SCHEDULE**

Versant Power is an Interconnection Rights Holder (“IRH”) of the Hydro-Quebec Phase I/II HVDC Transmission Facilities (HVDC-TF) and holds certain rights and obligations associated with its use (“Use Rights”). Versant Power offers through this Schedule 20A-VP open access to its Use Rights.

This Schedule functions in conjunction with the ISO-NE Tariff, in particular Section II and the Common Provisions of Schedule 20A, to offer Transmission Services on the HVDC-TF. This Service Schedule applies to all transactions that utilize Versant Power’s Use Rights. Transmission Customers shall obtain Versant Power’s Use Rights to Phase I/II HVDC-TF Service (“Service”) by reserving all or a portion of Versant Power’s Use Rights on OASIS and shall schedule Phase I/II HVDC-TF Service reservations consistent with this Schedule 20A and the ISO-NE Tariff. A Transmission Customer utilizing Versant Power’s Use Rights while taking Phase I/II HVDC-TF Service is subject to the terms and conditions as set forth in the Restated Use Agreement and in this Schedule 20A-VP.

In addition to the other applicable charges specified in the Tariff, a Transmission Customer which utilizes Versant Power’s Use Rights shall be billed and shall pay the Phase I/II HVDC-TF Service Charge as set forth in Schedules 1 and 2 of this Schedule 20A-VP. Compensation to Versant Power shall be based on the Transmission Customer’s Reserved Capacity associated with Versant Power’s Use Rights to the Phase I/II HVDC-TF and the applicable Phase I/II HVDC-TF Service charge as calculated pursuant to this Schedule 20A-VP. Customers must satisfy creditworthiness requirements set forth in Attachment 1.

This Schedule 20A-VP includes rates, terms and conditions for Phase I/II HVDC-TF Point-to-Point Service. All Transmission Customers taking Phase I/II HVDC-TF Service from Versant Power shall be subject to and comply with the rates, terms and conditions of this Schedule 20A-VP. In the event of a conflict between any rate, term or condition in the ISO-NE Tariff and any rate, term or condition in this Schedule 20A-VP, this Schedule 20A-VP shall govern. Versant Power will perform its functions under this Schedule 20A-VP in a manner that is not inconsistent with the ISO’s provision of regional service, administration of the regional markets, dispatch of resources, and operation of the New England Transmission System for purposes of reliability.

Terms not defined in this Schedule have the meaning as defined in Section II of the ISO-NE Tariff.

Schedule 1

Firm Point-To-Point Service Over the Phase I/II HVDC-TF

The Transmission Customer shall compensate Versant Power each month for Firm Reserved Capacity for Versant Power's Use Rights associated with the Phase I/II HVDC-TF at the sum of the applicable charges set forth below:

- (1) **Yearly delivery:** one-twelfth of the demand charge as determined in section (5) below per MW of Firm Reserved Capacity per year.
- (2) **Monthly delivery:** The maximum charge per MW of Firm Reserved Capacity per month for monthly delivery is the yearly demand charge as determined in section (5) below divided by 12.
- (3) **Weekly delivery:** The maximum charge per MW of Firm Reserved Capacity per week for weekly delivery is the yearly demand charge as determined in section (5) below divided by 52.
- (4) **Daily delivery:** The maximum charge per MW of Firm Reserved Capacity per day for daily delivery is the yearly demand charge as determined in section (5) below divided by 365. The total demand charge in any week, pursuant to a reservation for daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in megawatts of Firm Reserved Capacity in any day during such week.
- (5) **Yearly demand charge:** The yearly demand charge shall be determined in accordance with the following formula:

$A = [B + (B * C * COC) + D - E + TU] / (F)$ where:

A = the yearly charge for service.

B = annual cost assessed to Versant Power for support of the Phase I/II HVDC-TF.

C = Related Cash Working Capital Allowance equal to 12.5% (45 days/360 days).

COC = The pretax cost of capital from Versant Power's most recent transmission formula rate update for local service under the Tariff.

D = any taxes, fees or assessments imposed by the State of Maine or other governmental authority with respect to payments made for Phase I/II HVDC-TF Firm Point-To-Point Transmission Service provided under the Tariff, not specifically provided for in any of the charge or rate provisions under the Tariff.

E = the revenues from transmission customers taking Non-Firm Point-To-Point Service over Versant Power's Use Rights of the Phase I/II HVDC-TF.

TU = an amount to true-up the estimated yearly charge for service to the actual yearly charge for service, with the result being multiplied by Versant Power's share of the applicable year's average hourly Total Transfer Capability.

F = Versant Power's share of the average actual hourly Total Transfer Capability value associated with its Use Rights for the preceding calendar year.

Charges shall be revised each January 1) to reflect an estimate of the yearly charge for service during the upcoming calendar year and 2) to true-up the prior year's estimate of the yearly charge for service to the yearly charge for service based upon actual results as reported in FERC Form 1.

Schedule 2

Non-Firm Point-To-Point Service Over the Phase I/II HVDC-TF

The Transmission Customer shall compensate Versant Power for Non-Firm Reserved Capacity for Versant Power's Use Rights associated with the Phase I/II HVDC-TF up to the sum of the applicable charges set forth below:

(1) **Monthly delivery:** Monthly delivery charge as set forth in Schedule 1 of Schedule 20A-VP per MW of Non-Firm Reserved Capacity per month.

(2) **Weekly delivery:** Weekly delivery charge as set forth in Schedule 1 of Schedule 20A-VP per MW of Non-Firm Reserved Capacity per week.

(3) **Daily delivery:** The maximum charge for daily delivery on Monday through Friday shall be derived by dividing the yearly demand charge as calculated pursuant to Schedule 1 of Schedule 20A-VP by 260, and the maximum charge for daily delivery on Saturday or Sunday shall be derived by dividing the yearly demand charge as calculated pursuant to Schedule 1 of Schedule 20A-VP by 365. The total demand charge in any week, pursuant to a reservation for daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in megawatts of Non-Firm Reserved Capacity in any day during such week.

(4) **Hourly delivery:** The maximum charge for hourly delivery during hours 0700 through 2300 Monday through Friday shall be derived by dividing the yearly demand charge as calculated pursuant to Schedule 1 of Schedule 20A-VP by 4,160 and the charge for hourly delivery during all other hours shall be derived by dividing the yearly demand charge as calculated pursuant to Schedule 1 of Schedule 20A-VP by 8,760. The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the rate specified in section (3) above times the highest amount in megawatts of Non-Firm Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in megawatts of Non-Firm Reserved Capacity in any hour during such week.

Attachment 1

Creditworthiness Guide

1. General Information

This Creditworthiness Guide details the specific requirements for creditworthiness for customers taking service under this Schedule 20A-VP. The creditworthiness of each customer must be established prior to receiving transmission service from Versant Power. A customer will be evaluated at the time its application for transmission service is provided to Versant Power. A credit review shall be conducted for each transmission customer periodically or upon reasonable request by the transmission customer. This Creditworthiness Guide (“Guide”) when updated, will be done so in accordance with Section 4 of this Guide. The information requested under this Guide should be forwarded to the individual identified on Versant Power’s website, www.versantpower.com <<http://www.versantpower.com>>. Upon receipt of a customer’s information, Versant Power will review it for completeness and will notify the customer if additional information is required. Upon completion of an evaluation of a Customer under this Guide, Versant Power will forward a written evaluation if the customer is required to provide Financial Assurance. Versant Power also will provide a written evaluation, upon request, to customers who are not required to provide Financial Assurance.

2. Financial Information

Customers receiving transmission service or requesting Interconnection Service may submit, if available, the following:

- All current rating agency reports from Standard and Poor’s (“S&P”), Moody’s and/or Fitch of the customer.
- Audited financial statements provided by a registered independent auditor for the two most recent years, or the period of its existence, if shorter, for the customer.

3. Creditworthiness Requirements

A. The customer must meet at least one of the following criteria based on the information provided in Section 2 of this Guide:

- a) If rated, the customer must have either for itself or for its outstanding debt the following:
 - Standard and Poor’s or Fitch rating of at least a BBB, or

- Moody's rating of at least a Baa2.

b) If un-rated or if rated below BBB/Baa2, as stated in a), the customer must meet all of the following:

- A Current Ratio of at least 1.0 times (current assets divided by all current liabilities);
- A Total Capitalization Ratio of less than 60% debt: total debt (including all short-term borrowing) divided by total shareholders' equity plus total debt;
- "Earnings before interest, taxes, depreciation, and amortization" in most recent fiscal quarter divided by expense for interest (EBITDA-to-Interest Expense Ratio) of at least 2.0 times; and
- Audited Financial Statement with an unqualified audit opinion.

c) If the customer relies on the creditworthiness of a parent company, the customer's parent company must meet the criteria set out in (a) or (b) above, and must provide to Versant Power a written guarantee that it will be unconditionally responsible for all financial obligations associated with the customer's receipt of transmission service from Versant Power.

d) If the customer is a municipal that is a member of the Massachusetts Municipal Wholesale Electric Cooperative (MMWEC), MMWEC must meet the criteria set out in (a) or (b) above and provide to Versant Power a written guarantee that MMWEC will be unconditionally responsible for all financial obligations associated with the customer's receipt of transmission service from Versant Power.

B. If the customer does not qualify for unsecured credit under Section A, the customer will qualify for unsecured credit equivalent to two months of transmission service charges, or for interconnections, the credit equivalent of two months of the annual facilities charges and other ongoing charges, if the customer has, on a rolling basis, 12 consecutive months of payments to Versant Power with no missed, late or defaults in payment

4. Financial Assurance

If the customer does not meet the applicable requirements for Creditworthiness set out in Section 3 or if required by the terms of an agreement or state law or regulation, then the customer must:

- Pay in advance for service an amount equal to the lesser of the total charge for Transmission Service or the charge for three months of Transmission Service, not less than five (5) days in

advance of the commencement of service;

- Obtain Financial Assurance in the form of a letter of credit, performance bond, or corporate guarantee equal to the equivalent of three (3) months of Transmission Service charges prior to receiving service; or
- Obtain Financial Assurance in the form of a letter of credit based on the value of any new facilities or upgrades associated with such Transmission Service.

If the customer pays for service in advance, Versant Power will pay to the customer interest on the amounts not yet due to Versant Power, computed in accordance with the Commission's regulations at 18 CFR § 35.19a(a)(2)(iii).

5. Credit Levels

If the Customer meets the applicable criteria outlined in Section 3, that Customer may receive unsecured credit equivalent to three (3) months of transmission charges or, for interconnections, the credit equivalent of three (3) months of the annual facilities charges and other ongoing charges.

6. Contesting Creditworthiness Determination

The Transmission Customer may contest Versant Power's determination of creditworthiness by submitting a written request for re-evaluation within twenty (20) calendar days of being notified of the creditworthiness determination. Such request should provide information supporting the basis for a request to re-evaluate a Transmission Customer's creditworthiness. Versant Power will review and respond to the request within twenty (20) calendar days.

7. Process for Changing Credit Requirements

In the event that Versant Power plans to revise its requirements for credit levels or collateral requirements, as detailed in this Creditworthiness Guide, the following process shall be followed:

A. General Notification Process

- 1) Versant Power shall submit such changes in a filing to the Federal Energy Regulatory Commission ("Commission") under Section 205 of the Federal Power Act.

- 2) Versant Power shall provide written notification to ISO-NE and stakeholders of any filing described above, at least thirty (30) days in advance of such filing.
 - a) Filing notifications shall include a detailed description of the filing, including a redlined document containing revised change(s) to the Creditworthiness Guide.
 - b) Versant Power shall consult with interested stakeholders upon request.
- 3) Versant Power shall consult with ISO-NE and the IRH Management Committee regarding any filing described above, at least thirty (30) days in advance of such filing.
- 4) Following Commission acceptance of such filing and upon the effective date, Versant Power shall revise its Creditworthiness Guide and an updated version of Schedule 20A-VP shall be posted the ISO-NE website.

B. Transmission Customer Responsibility

- 1) When there is a change in requirements, it is the responsibility of the Transmission Customers to forward updated financial information to Versant Power, to the address noted below, and indicate whether the change affects their ability to meet the requirements of this Creditworthiness Guide. In such cases where the customer's status has changed, the Customer must take the necessary steps to comply with the revised requirements of the Creditworthiness Guide by the effective date of the change.
- 2) Correspondence associated with Creditworthiness should be forwarded to the contact indicated in Versant Power's Creditworthiness Guide.

C. Notification for Active Customers

- 1) Active Customers are defined as any current Transmission Customer that has reserved transmission service within the last 6 months.
- 2) All Active Customers will be notified via either e-mail or U.S. mail that the above posting has been made and must follow the steps outlined in this procedure.

8. Posting Collateral Requirements

A. Changes in Customer's Financials

Each customer must inform Versant Power, in writing, within five (5) business days of any material

Effective Date: 11/1/2020 - Docket #: ER20-2783-000

change in its financial condition, and, if the customer qualifies under Section 3A(c), that of its parent company. A material change in financial condition may include, but is not limited to, the following:

- Change in ownership by way of a merger, acquisition, or substantial sale of assets;
- A downgrade of long- or short-term debt rating by a major rating agency;
- Being placed on a credit watch with negative implications by a major rating agency;
- A bankruptcy filing;
- Any action requiring filing of a Form 8-K;
- A declaration of or acknowledgement of insolvency;
- A report of a significant quarterly loss or decline in earnings;
- The resignation of key officer(s); or
- The issuance of a regulatory order and/or the filing of a lawsuit that could materially adversely impact current or future financial results.

B. Change in Creditworthiness Status

A customer who has been extended unsecured credit under this policy must comply with the terms of Financial Assurance in Section 4 if one or more of the following conditions apply:

- The customer no longer meets the applicable criteria for Creditworthiness in Section 3;
- The customer exceeds the amount of unsecured credit extended by Versant Power, in which case Financial Assurance equal to the amount of excess must be provided within five (5) business days; or
- The customer has missed two or more payments for any of the Services offered by Versant Power in the last twelve (12) months.

9. Ongoing Financial Review

Each customer qualifying under Section 3A of this Guide is required to submit to Versant Power annually or when issued, as applicable:

- Current rating agency report;
- Audited financial statements from a registered independent auditor; and
- 10-Ks and 8-Ks, promptly upon their issuance.

10. Suspension of Service

Versant Power may immediately suspend service (with notification to Commission) to a customer, and may initiate proceedings with Commission to terminate service, if the customer does not meet the terms described in Sections 3 through 7 at any time during the term of service or if the customer's payment obligations to Versant Power exceed the amount of unsecured or secured credit to which it is entitled under this Guide. A customer is not obligated to pay for Transmission Service that is not provided as a result of a suspension of service.