

## **SCHEDULE 20A-UI**

### **THE UNITED ILLUMINATING COMPANY**

#### **PHASE I/II HVDC-TF SERVICE SCHEDULE**

The United Illuminating Company (UI) holds certain rights and obligations associated with its Use Rights (“UI’s Use Rights”) to the Phase I/II HVDC-TF which, under the Restated Use Agreement, may be offered to Transmission Customers. This Service Schedule applies to all transactions that utilize UI’s Use Rights. Pursuant to the Restated Use Agreement and this Schedule 20A, Transmission Customers shall obtain UI’s Use Rights to Phase I/II HVDC-TF Service (“Service”) by reserving all or a portion of UI’s Use Rights on OASIS and shall schedule Phase I/II HVDC-TF Service reservations consistent with this Schedule 20A and the Tariff. A Transmission Customer utilizing UI’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 Attachment L to this Schedule 20A-UI.

In addition to the other applicable charges specified in the Tariff, a Transmission Customer which utilizes UI’s Use Rights shall be billed and shall pay the Phase I/II HVDC-TF Service Charge as set forth in Schedules 10 and 11 of this Service Schedule. Compensation to UI shall be based on the Transmission Customer's Reserved Capacity associated with UI’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 Service Schedule.

**SCHEDULE 10 of Schedule 20A-UI**  
**Firm Point-To-Point Service Over the Phase I/II HVDC-TF**

The Transmission Customer shall compensate UI each month for Firm Reserved Capacity for UI'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:

$A * GETF = (B + (B * C) - D + (D * E)) / (F)$  where:

A = the yearly charge for service.

B = the annual cost assessed to UI for support of the Phase I/II HVDC-TF is defined as the support payments UI made for the Phase I/II HVDC-TF plus the associated gross earnings tax.

C = the Schedule 10 Related Cash Working Capital Allowance shall be 12.5% (45 days/360 days).

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

E = the Gross Earnings Tax Rate as given by the Connecticut General Statutes § 12-264(c)(1), or its successor.

F = the average actual hourly Total Transfer Capability value associated with its Use Rights for the preceding calendar year.

**Gross Earnings Tax Factor (GETF)** = the GETF shall equal the number one divided by the number one minus the Connecticut Gross Earnings Tax Rate as provided in the Connecticut General Statutes § 12-264(c)(1), or its successor.

Charges shall be revised each year to reflect the costs recorded in UI's most recently filed FERC Form 1 and the average actual hourly Total Transfer Capability value associated with UI's Use Rights for the preceding calendar year.

**SCHEDULE 11 of Schedule 20A-UI**  
**Non-Firm Point-To-Point Service Over the Phase I/II HVDC-TF**

The Transmission Customer shall compensate UI for Non-Firm Reserved Capacity for UI'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 10 of Schedule 20A-UI per MW of Non-Firm Reserved Capacity per month.
- (2) **Weekly delivery:** Weekly delivery charge as set forth in Schedule 10 of Schedule 20A-UI 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 10 of Schedule 20A-UI 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 10 of Schedule 20A-UI 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 10 of Schedule 20A-UI 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 10 of Schedule 20A-UI 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 L to SCHEDULE 20A-UI**  
**Creditworthiness Procedures**

**I. Overview**

For the purpose of determining the ability of the Transmission Customer (Customer) to meet its obligations related to service hereunder, The United Illuminating Company (UI) may require reasonable credit review procedures. All Customers requesting or taking service provided under Schedule 20A and 20A-UI, for service over UI's local transmission facilities or any Federal Energy Regulatory Commission (FERC)-regulated interconnection service from UI, collectively referred to as (Service), must meet the creditworthiness of this Attachment L to Schedule 20A-UI. The creditworthiness of each Customer must be established prior to receiving Service and applies to new Customers requesting Service and existing Customers. The intention of this Attachment L is to make UI's credit practices more transparent and comprehensive to Customers while protecting UI against the risk of non-payment. If the Customer relies on the creditworthiness of a parent company, the Customer's parent company (referred to herein as Guarantor) must provide to UI a written guarantee that it will be unconditionally responsible for all financial obligations associated with the Customer's receipt of Service from UI.

UI shall make this credit review in accordance with procedures based on specific quantitative and qualitative criteria to determine the level of secured and unsecured credit required from the Customer. Quantitative factors may include, among other items, Customer's history, management, and credit exposures. Qualitative factors may include, among other items, financial statements, capital structure and cash flow. UI's Creditworthiness Requirements are described below in this Attachment L.

Customers requesting Service under Schedule 20A and Schedule 20A-UI should send the necessary information for creditworthiness approval to UI's contact identified on UI's Transmission Website, via the link on UI's OASIS Website.

Upon receipt of a Customer's information, UI will evaluate it for completeness and will notify the Customer if additional information is required. Upon completion of its evaluation, UI will provide a determination letter to the Customer notifying the Customer of their status. If the Customer is required to provide Financial Assurance, as described in Section IV, an estimate of the total payment obligations that

the Customer would be expected to pay UI for the first three months of the Service will be included in the determination letter.

## **II. Financial Information**

Customers requesting Service must submit, if available, the following information:

- \* All current credit rating reports from commercially accepted credit rating agencies including, Standard and Poor's, Moody's Investors Service, and Fitch Ratings.
- \* The most current audited financial statements by a registered independent auditor.

## **III. Creditworthiness Requirements**

The Customer must meet at least one of the following criteria:

(1) If rated, the Customer's or Guarantor's lowest rating on its senior unsecured long-term debt is at least:

- BBB from Standard and Poor's or Fitch Ratings, or
- Baa2 from Moody's Investors Service.

(2) If un-rated or if rated below BBB/Baa2, as described in (1) above, the Customer must meet all of the following:

- A Current Ratio of at least 2.0 (current assets divided by current liabilities);
- A Total Capitalization Ratio of less than 60% debt: total debt (including all short-term borrowing) divided by the sum of total shareholders' equity plus total debt plus preferred securities;
- EBITDA-to-Interest Expense Ratio of at least 2.0 (earnings before interest, taxes, depreciation and amortization in the most recent fiscal quarter divided by expense for interest); and
- An unqualified audit opinion in the most recent audited annual financial statement.

If the Customer does not qualify for unsecured credit, the Customer will still qualify for unsecured credit equivalent to three months of payment obligations if it has 12 consecutive months of payments to UI with no missed, late or defaults in payment.

#### **IV. Financial Assurance Requirement**

If the Customer does not meet the applicable requirements of creditworthiness set forth in Section III, then not less than five business days in advance of the commencement of Service, the Customer must provide either:

(1) Advance payment of an amount equivalent to 3 months of Service. UI will pay interest to the Customer in accordance with the Commission's regulations at 18 CFR §35.19a (a)(2)(iii); or

(2) Provide UI a letter of credit in an amount equivalent to 3 months of Service. The cost of the letter of credit shall be paid by the Customer. Letter of credit means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a U.S. branch of a foreign bank provided that such Customer or Guarantor is not an affiliate with such bank, the bank has at least ten billion dollars (\$10,000,000,000) in assets, and the bank's lowest credit rating is at least A2 from Moody's Investor's Services or A from Standard & Poor's or Fitch Ratings. If at any time the bank falls below these requirements then within 5 business days the Customer must obtain another letter of credit from a bank that does meet these requirements.

#### **V. Credit Levels**

If the Customer meets the applicable criteria outlined in Section III, that Customer may receive unsecured credit from UI equivalent to three months of payment obligations.

#### **VI. Contesting Creditworthiness Determination**

The Customer may contest UI's determination of creditworthiness by submitting a written request for re-evaluation within 15 calendar days of receiving the creditworthiness determination letter. Such request should provide information supporting the basis for a request to re-evaluate a Customer's creditworthiness. UI will evaluate and respond to the request within 15 calendar days.

#### **VII. Process for Changing Credit Requirements:**

In the event that UI plans to revise its requirements for credit levels or collateral requirements as detailed in this Attachment L, UI shall submit such changes in a filing to the FERC under Section 205 of the Federal Power Act. UI shall follow the consultation notification requirements pursuant to Section 3.12 of the Phase I/II HVDC-TF Transmission Service Administration Agreement and reflected herein.

**General Notification Process:**

- (1) UI shall consult with ISO and the Interconnection Rights Holders management committee (IMC) of any filing described above, at least 30 days in advance of such filing.
- (2) Following FERC acceptance of such filing and upon the effective date, UI shall revise its Attachment L Creditworthiness Procedures and an updated version of Schedule 20A-UI shall be posted to the ISO website.

**VIII. Posting Collateral Requirements**

**A. Change in Customer Financials**

During the term of Service, the Customer must inform UI, in writing, within 5 business days of any material change in its, their Guarantor's or their letter of credit provider's financial condition. 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 by a major rating agency;
- Being placed on a credit watch with negative implications by a major rating agency;
- A bankruptcy filing;
- A declaration of or acknowledgement of insolvency;
- Any action requiring filing of a Form 8-K;
- A report of a significant quarterly loss or decline in earnings;
- The issuance of a regulatory order and/or the filing of a lawsuit that could materially adversely impact current or future financial results.
- A suspension by the ISO that is not cured within 5 business days.

**B. Change in Creditworthiness Status**



A credit review and a recalculation of the three month payment obligation amount shall be conducted for each Customer not less than annually or upon reasonable written request by the Customer. After conducting the review UI will notify the Customer, in writing if there is a change in their creditworthiness status and the reason for the change. If the Customer is now required to post financial assurance, or additional financial assurance, they will receive a written notice from UI and have 5 business days after receipt of such notice to provide such assurance. Such additional financial assurance may be the result of, but not limited to, the following conditions:

- The Customer no longer meets the applicable criteria for creditworthiness;
- UI determines that a material change notification in Section VIII A. will have an adverse effect on the Customer's ability to make future payments;
- The Customer's payment obligations exceed the amount of credit extended by UI, in which case financial assurance equal to the amount of excess must be provided; or
- The Customer has not paid or has been late in two or more payments in the last 12 months.

#### **IX. Ongoing Financial Information Requirement**

If the Customer has met the applicable criteria for creditworthiness and takes Service with UI, then during the term of the Service the Customer or their Guarantor is required to submit to UI, when issued:

- Current rating agency reports; and
- Current audited annual financial statements from a registered independent auditor.

#### **X. Suspension of Service**

UI may immediately suspend Service to a Customer if the Customer does not meet either of the following:

- the terms described in this Schedule 20A-UI Attachment L ; or
- despite a written notice from UI as specified in Section VIII, after 5 business days the Customer's payment obligations to UI still exceed the amount of credit to which it is entitled under this Attachment L.