

CREDIT ADMINISTRATION PROCEDURE – TRANSMISSION POINT-TO-POINT SERVICE

1.0 OVERVIEW

BC Hydro Treasury is responsible for executing this Credit Administration Procedure (the “OATT Credit Procedure”) in accordance with the BC Hydro’s Open Access Transmission Tariff (OATT), and shall make credit decisions in a timely manner that promotes financial prudence and non-discriminatory access to the transmission system.

2.0 PROVISION OF TRANSMISSION SERVICE

Transmission Service may be provided without security if the credit exposure is within the maximum credit limit set forth below and the Transmission Customer is Creditworthy. Creditworthy under this policy means the Transmission Customer has a long-term debt rating equal to, or better than:

- A- from Standard & Poor’s, or
- A3 from Moody’s, or
- A(low) from the Dominion Bond Rating Service, or
- An equivalent rating from a nationally recognized debt rating agency.

For Transmission Customers without long-term debt, a short-term debt rating equal to, or better than:

- A-1 from Standard & Poor’s, or
- P-1 from Moody’s, or
- R-1 from Dominion Bond Rating Service, or
- An equivalent rating from a nationally recognized debt rating agency.

Where the Transmission Customer has multiple ratings from these agencies, the lowest rating shall determine creditworthiness. As credit is managed on an Enterprise wide basis at BC Hydro, the maximum credit limit set forth under the OATT Credit Procedure may be impacted and adjusted if credit has been extended on other BC Hydro business, including business with BC Hydro subsidiaries.

2.1 Limits

Credit Rating	Maximum Unsecured Credit Limit (USD) ¹	Maximum Duration
Entity whose debt is guaranteed by a federal or creditworthy provincial government.	Unlimited	Unlimited
Creditworthy	\$10,000,000	Reviewed Annually
Not Creditworthy	Nil	N/A

3.0 TRANSMISSION CUSTOMER IS CREDITWORTHY

If a Transmission Customer is deemed to be Creditworthy, it may receive Transmission Service without requirement of any security up to its Maximum Unsecured Credit Limit as long as it is not in default of its payment obligations with BC Hydro.

3.1 Corporate Guarantee by Parent Company

A Transmission Customer may also receive Transmission Service without requirement of any security up to its Maximum Unsecured Credit Limit if it provides to BC Hydro a corporate guarantee issued by its Parent Company, provided that the Parent Company is Creditworthy. This corporate guarantee must provide that the Parent Company will be responsible to BC Hydro for all financial obligations associated with the Transmission Service subscribed by the Transmission Customer.

Transmission Customers offering a corporate guarantee are advised when the credit evaluation period is expected to extend beyond the requested service date. The Transmission Customers may provide a letter of credit as security which will be released upon acceptance of the corporate guarantee.

4.0 TRANSMISSION CUSTOMER IS NOT CREDIT WORTHY

If the Transmission Customer is deemed not to be creditworthy, the Transmission Customer may either:

- 1. Provide BC Hydro with an acceptable form of security.** This security must be for an amount that is the lesser of: 1) the total charge of service, or 2) the charge for 90 days of service, within 5 Business Days, prior to the commencement of Transmission Service. Acceptable forms of security are either an unconditional and irrevocable letter of credit drawn on an acceptable financial institution or an alternative form of security acceptable to BC Hydro.

¹ Limits are based on 90 days of anticipated Credit Exposure and assumes no other credit extended to Transmission Service Customer on other BC Hydro or BC Hydro subsidiary business.

Or

2. **Pre-pay for transmission service.** For Transmission Service for a period of one month or less, the Transmission Customer shall pay the total charge by the later of 5 Business Days prior to the commencement of service, or the time when it makes the request for service. For Transmission Service for a period of more than one month, the Transmission Customer shall pay for each month's service not less than 5 Business Days prior to the beginning of that month. For Network Integrated Transmission Service, the advance payment for each month will be based on a reasonable estimated made by BC Hydro of the charge for that month.

4.1 **Release of Security**

Security shall be released:

- upon confirmation of termination of arrangements/service, the Transmission Customer is no longer enabled to request service via OASIS and no amounts are outstanding, or
- upon receipt/replacement by equivalent or better security, or
- for studies, when the Transmission Customer's obligations for re-payment are otherwise satisfied.

5.0 **ENFORCEMENT AND COLLECTION**

Billing and Payment provisions are defined in Section 7 of BC Hydro's OATT.

6.0 **PROCEDURES**

For Facilities Studies and Facilities Upgrades, credit reviews are based on cost estimates determined accordance with BC Hydro's OATT.

Credit approvals and related security, in amounts no less than those specified above, shall be in place by the later of 5 Business Days prior to the commencement of Transmission Service or the time when the Transmission Customer makes the request for Transmission service.

Documents evidencing security are kept in secure storage by Treasury.

Document Change History

Issue	Reason for Issue	Date
1	Update to reflect BC Hydro Credit Administration Procedures. Previously BCTC Corporate Service Procedure.	8 September 2010