Request for Proposals to Provide

Standard Offer Service

To

Central Maine Power Company’s

Medium and Large Commercial & Industrial Customers

Term Beginning September 1, 2013

Issued by the

Maine Public Utilities Commission

June 11, 2013

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# 1. OVERVIEW

## 1.1 Objective of the Request for Proposals

The Maine Public Utilities Commission (Commission) is seeking proposals from suppliers to provide retailstandard offer service to medium and large non-residential (i.e., commercial and industrial) customers of Central Maine Power Company (CMP) beginning September 1, 2013. The Commission requests proposals for a term length of six months.

Suppliers chosen will provide requirements service for all or a specified percentage of the load of medium standard offer customers. For large standard offer customers suppliers will provide requirements service for all of the class.

Please note that the Commission is seeking an indexed pricing option for large non-residential customers. See Section 3.7 for a description of the structure of indexed bids.

Initial proposals with indicative bid prices are due on June 28, 2013.

## Contact Information

Inquiries regarding this RFP should be directed to Faith Huntington at 207-287-1373 or [faith.huntington@maine.gov](mailto:faith.huntington@maine.gov) or Mitch Tannenbaum at 207-287-1391 or [mitchell.tannenbaum@maine.gov](mailto:mitchell.tannenbaum@maine.gov). Inquiries specifically regarding load data should be directed to Angela Monroe at 207-287-1397 or [angela.monroe@maine.gov](mailto:Christine.r.cook@maine.gov) .

The RFP, related information and load data are available from the Commission’s web site at <http://www.maine.gov/mpuc/electricity/rfps/so_solicitations.shtml> Any modifications, corrections or clarifications to the RFP will be posted at this same location.

**1.3 Description of Service Area and Customer Classes**

CMP’s service territory covers 11,000 square miles in central and southern Maine and is within the New England Independent System Operator (ISO‑NE) control area.

CMP’s medium class is comprised of general service customers with peak demands generally between 20 kW and 400 kW. The large class is comprised of customers with peak demands generally greater than 400 kW.

CMP’s retail sales to medium non‑residential customers in calendar year 2012 were about 1.97 million megawatt-hours. Currently, about 39% of the load of these customers receives standard offer service; the remainder is supplied by competitive suppliers. CMP’s retail sales to large non-residential customers in 2012 were about 2.67 million megawatt-hours. About 3% of the load of this group of customers currently receives standard offer service.

Appendix E includes detailed electricity usage data for calendar year 20121. Additional and more current load data, including hourly loads, settlement loads, and ICAP tags is available at <http://www.maine.gov/mpuc/electricity/rfps/so_solicitations.shtml>

**1.2 General Standard Offer Service Provisions**

Chapter 301 of the Maine PUC rules governs standard offer service and is provided as Appendix A. A list and short description of other rules related to retail electricity supply is provided as Appendix B. The complete text of these rules is available on the Commission’s web site at [www.maine.gov/mpuc](http://www.maine.gov/mpuc)

The standard offer provider’s legal rights and obligations with respect to providing standard offer service are set forth in the Statement of Commitment (Appendix H) and further described in Appendix J. Bidders must submit a signed Statement of Commitment with their proposals acknowledging and accepting these rights and obligations. Alternative language to that contained in Appendix H will be considered.

Standard offer service is the only type of default service in Maine and is provided directly by standard offer providers to customers at retail. Standard offer providers supply requirements service for their load share and are not assigned particular customers.

Retail standard offer prices are set equal to the bid prices of winning bidders. If there are multiple providers, retail prices are the weighted average of the providers’ prices.

The standard offer provider is paid its accepted bid price less the applicable fixed percentage amount for uncollectible revenue as specified in Exhibit A to Standard Offer Provider Service Agreement (Appendix C).

CMP will bill and collect from customers on behalf of the standard offer provider. The Standard Service Agreement that governs these billing arrangements and other matters between the provider and CMP is provided as Appendix C. CMP charges for the services it provides in accordance with Commission-approved Terms & Conditions. (See Appendix D.) Bidders may propose changes to the Standard Service Agreement and submit them for consideration.

**2. PROCESS AND SCHEDULE**

**2.1 Key Events and Timing**

##### Initial proposals with indicative June 28, 2013

##### prices submitted (by 4:00 p.m. EPT)

Negotiation of non-price terms July 1, 2013

*(May be with a “short-list” of* To Completion

*bidders as determined by*

*indicative prices.)*

Final Bid Prices Due/ To be determined

Commission Decision

Public Release of Standard Offer Prices Date of Commission Decision

Execution of Standard Offer Within 24 hours of

Service Agreement Commission Decision

Submission of Financial Within 3 business days of

Security Commission Decision

Public Release of Standard Offer May be kept confidential

Provider Identity for up to 2 weeks after

Commission Decision (at

provider’s request)

Standard Offer Service Term Begins September 1, 2013

Changes or updates to this schedule will be posted on the Commission’s web site at <http://www.maine.gov/mpuc/electricity/rfps/so_solicitations.shtml> or otherwise communicated to bidders.

**2.1 Submission of Proposals**

Proposals must be received at the Maine PUC by the times and dates indicated. Instructions for submitting proposals will be posted on the Commission’s website at <http://www.maine.gov/mpuc/electricity/rfps/so_solicitations.shtml> or otherwise communicated to bidders.

# 3. PROPOSAL REQUIREMENTS

The following items should be included in the Initial proposals.

**3.1 License**

Bidder should provide evidence that it has a valid license or an application pending to provide standard offer service in Maine. (Chapter 305 of the Commission’s rules governs licensing requirements.) A license application is included in Appendix F or can be obtained from the Commission’s web site.

**3.2 Financial Security**

Bidder should provide certified statement(s) regarding its proposed financial security, including certified statement(s) by guarantors and/or financial institutions that would provide any security. The statements must: (1) describe the amount and form of security to provided; and (2) represent that the security and the entity providing it meet the applicable requirements and specifications of Chapter 301 and this RFP.

The initial proposal should include audited financial statements of any guarantor, e.g., annual report to stockholders, SEC Form 10K, and the guarantor’s most recent credit rating from each rating agency that has issued a rating for the guarantor.

**3.3 Statement of Commitment**

Bidder should provide a Statement of Commitment signed by an officer of the Company who is duly authorized to commit the Company as described in the Statement. The Commission’s preferred Statement of Commitment is provided in Appendix H. Alternative language will be considered.

**3.4 EBT**

Bidder should demonstrate that it has completed or is enrolled in Maine’s electronic business transaction (EBT) training and testing programs. Maine’s EBT standards and training schedules are available from the Commission’s web site or from CMP.

**3.5 Contingencies**

Bidder should note all conditions and contingencies. Please note that any condition or contingency must be: (1) within the control of the Commission; or (2) known at the time final bid prices are evaluated.

**3.6 Alternative Terms, Language**

Bidder may provide proposed alternative language to the Standard Agreement, the Statement of Commitment, the standard form corporate guaranty, or the standard form bidder conditions. Please provide proposed changes in the form of a red-line to the standard documents.

**3.7 Pricing**

Please note indexed pricing option for the large non-residential class.

Bidders may bid on either or both classes separately.

For the **medium** standard offer class, bids may include prices per kW and prices per kWh, or prices per kWh only. Any prices per kW will be billed on the same basis (i.e., billing units) as CMP uses to bill for distribution service. Prices may not vary by time of day and cannot include any amounts charged on a per-customer or fixed-charge basis. Bids for the medium class must be in the form of fixed prices. For the **medium** class only, Bidders may submit price proposals for all or a portion of the service requirement. A bid for a portion of the service must be as a multiple of 20% (i.e., 20%, 40%, 60%, 80%).

For the **large** standard offer class, bids may be in the form of fixed or indexed prices.

* Fixed pricing bids may include prices per kW and prices per kWh, or prices per kWh only. Any prices per kW will be billed on the same basis (i.e., billing units), as CMP uses to bill for distribution service. Fixed pricing bids for the large standard offer class may vary by time of day; the time of day periods must correspond to, or be compatible with, CMP’s time‑of‑use rate structure.
* Indexed pricing bids should include (1) a fixed adder component in $ per kWh and (2) a capacity component in $ per kW. The standard offer provider will be paid (1) an energy component based on the ISO-NE settlement quantities for the load asset and the applicable hourly Maine LMP, (i.e., on a pass-through basis); (2) a fixed adder component based on the provider’s bid and the billed kWh of large class standard offer service customers, net of the uncollectible adder; and (3) a capacity component based on the provider’s bid and the capacity tag of the load asset, net of the uncollectible adder. (The uncollectible adder for the large class is specified in Exhibit A of the Standard Form Contract.) Retail prices charged to large standard offer customers will be set by the Commission in advance of each month during the term based on (1) the fixed adder and capacity component bids of the winning bidder and (2) a retail energy component set by reference to the forward market price for electricity for the applicable month, in particular, the ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures and ISO New England Mass Hub Off-Peak LMP Futures, as settled through CME Group[[1]](#footnote-1) on the 15th day[[2]](#footnote-2) of each month prior to the effective date of the standard offer service price. Energy charges will be billed to customers on a monthly $ per-kWh basis. Capacity charges will be billed to customers on a monthly per-kW basis, with each large standard offer customer’s kW set in a manner consistent with the large standard offer class Load Asset Coincident Peak Contribution (CPC) established pursuant to ISO-NE Market Rules, in particular, ISO New England Manual for the Forward Capacity Market, Manual M-20, Attachment C.

For the **large** class, Bidders may only submit price proposals for 100% of the service requirement.

* 1. **Bidder Conditions**

Bidder may submit “bidder conditions” with its standard offer service proposal. The bidder’s proposal may be made subject to the acceptance by the Commission of the stated conditions. If the Commission accepts the bidder conditions, they will be expressly incorporated into the Commission’s order designating the winning bidder. A set of standard form bidder conditions is attached as Appendix L; bidders may propose modifications, if desired.

**4. Standard Offer Provider Requirements**

**4.1 Standard Offer Obligation**

Standard offer provider must provide standard offer service in a manner that complies with Maine law, Commission rules and this RFP at the prices and terms it proposed and which were accepted by the Commission. Standard offer provider is responsible for all costs necessary to fulfill this obligation.

Standard offer provider is responsible for all requirements and costs (and will receive any benefits) pursuant to wholesale market rules that apply to its standard offer load obligation.

## 4.2 Form of Service

Standard offer service is retail all requirements service. Standard offer service includes all obligations and charges that would be assessed to the load serving entity for the applicable load, including all Locational Marginal Pricing (energy, loss and congestion components), all costs and obligations that arise from nodal settlements for load, all capacity, ancillary services and other products and charges for the load, including any new or redefined products or charges, required to supply the electrical requirements of customers receiving standard offer service at all times during the term of service in a manner that complies with all applicable rules and requirements.

**4.3 Losses**

Standard offer service includes all transmission and distribution line and transformer losses associated with providing standard offer service from the point of supply to the customers’ meters. Standard offer provider must provide sufficient quantities of electric capacity, energy, ancillary and all other required products and services to cover all such losses. The factors that are currently used to determine line and transformer losses on CMP’s systemare contained in Appendix G.

**4.4 Load Zone**

CMP’s service territory is in the Maine Load Zone as defined by ISO-NE Standard Market Design (SMD) and standard offer provider is responsible for all obligations for the applicable standard offer load related to this locational definition and any subsequent redefinition, including nodal settlement for load.

**4.5 Transmission Charges**

CMP local transmission and distribution charges and Regional Network Service charges for standard offer service are paid by customers through their CMP retail rates and are not the responsibility of the standard offer provider.

**4.6 Financial Security**

Standard offer provider must provide financial security in accordance with this section and the related provisions in the Standard Agreement.

***1) Amount***

**Base Security 6 Month Term**

* + Medium Class $7.0 million
  + Large Class $2.5 million
  + Large Class (Indexed) $250,000

The Base Security amount for a Large Class Indexed bid shall not decline during the term of service. The other base security amounts may decline, pro rata, during the term of service. If a provider is designated for less than 100% of the load, the amount shall be adjusted to reflect the provider’s % share.

**Excess Market Exposure Security**

* + The incremental replacement cost of the standard offer supply during the remaining term of service in excess of the Base Security for the class, as determined from time to time using commercially reasonable practices,

The Base Security must be furnished to CMP with a copy to the Commission no later than five business days after the date the Commission designates the provider such that CMP can access the full amount of the financial security on that date. Any Excess Market Exposure Security required during the term of the obligation must be furnished to CMP no later than five business days after CMP provides notification. The Base Security and, if applicable, Excess Market Exposure Security cannot expire or be cancelled prior to the date 30 days after the end of the applicable term of service unless replacement financial security that meets the requirements of Chapter 301 and this RFP and is accepted by the Commission is provided. The expiration or termination of the financial security shall not affect obligations incurred while the financial security was in effect. The Commission retains the right to obtain further information about any financial security furnished by standard offer provider, and final acceptance shall be at the sole discretion of the Commission.

**2) *Instrument:***

A ***corporate guarantee*** must (i) unconditionally obligate the guarantor to pay all obligations of the standard offer provider for the costs of replacement standard offer service, up to the applicable cap; (ii) be executed by a corporation meeting the applicable credit rating and net worth criteria set forth in the table below; and (iii) conform with the Standard Form Guaranty provided in Appendix K or an accepted alternative.

The amount of any corporate guarantee applicable to this RFP may not exceed the following Guarantee Caps:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Guarantee Caps (millions $) | | | | |  |  |  |  |  |
|  | *Cap is the lesser of the amount in Table (1) or Table (2)* | | | | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | Rating [[3]](#footnote-3),[[4]](#footnote-4) | |  | Table 1 |  | Table 2 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **% Tangible** |  | **Class[[5]](#footnote-5)** | |  |  |
|  |  | **S&P/Fitch** | **Moody's** |  | **Net Worth** |  | **Medium** | **Large** |  |  |
|  |  | AAA | Aaa |  | **5.0%** |  | **16.5** | **6.0** |  |  |
|  |  | AA+ | Aa1 |  | **5.0%** |  | **16.5** | **6.0** |  |  |
|  |  | AA | Aa2 |  | **4.0%** |  | **16.5** | **6.0** |  |  |
|  |  | AA- | Aa3 |  | **4.0%** |  | **16.5** | **6.0** |  |  |
|  |  | A+ | A1 |  | **3.0%** |  | **16.5** | **6.0** |  |  |
|  |  | A | A2 |  | **2.5%** |  | **16.5** | **6.0** |  |  |
|  |  | A- | A3 |  | **2.0%** |  | **16.5** | **6.0** |  |  |
|  |  | BBB+ | Baa1 |  | **1.8%** |  | **16.5** | **6.0** |  |  |
|  |  | BBB | Baa2 |  | **1.5%** |  | **12.4** | **4.5** |  |  |
|  |  | BBB- | Baa3 |  | **1.0%** |  | **8.3** | **3.0** |  |  |
|  |  | Below | Below |  | **0.0%** |  | **0.0** | **0.0** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | . |

***Overall Exposure:***In addition, the overall guarantee exposure to any specific guarantor shall be analyzed under the asset test and the common equity test described in the Commission’s Rule 301 §§ (3)(B)(3)(b)(ii)and (iii) respectively. If the aggregate of all guarantees provided by a guarantor for standard offer service in a particular utility’s service area fail either test a corporate guarantee will not constitute acceptable security, or will be limited in amount to the level where the test can still be met. Additionally, the Commission, at its discretion, may otherwise limit guarantee amounts. Suppliers that intend to rely on a corporate guarantee must provide sufficient information with their indicative bid to allow the Commission to evaluate their guarantor.

Security requirements in excess of the Guarantee Cap must be provided by:(1) an ***irrevocable letter of credit*** from a federal or state licensed financial institution satisfying the requirements of section 3 of Chapter 301 and subparagraph (3) below; or (2) ***cash*** accompanied by proper documentation so as to perfect a security interest.

Any irrevocable letter of credit provided must (i) unconditionally obligate the issuing commercial bank(s) to honor drafts drawn on such letter(s) for the purpose of paying the costs of replacement standard offer service; (ii) be issued by commercial bank(s) with a minimum corporate debt rating of “BBB+” by Standard & Poor’s or Fitch or “Baa1” by Moody’s, or an equivalent short term debt rating by one of these agencies; and (iii) include the following language: “This letter of credit binds the insurer to pay one or more drafts drawn by Central Maine Power Company as long as the drafts do not exceed the total amount of the letter of credit; and that any draft presented by Central Maine Power Company will be honored by the issuer upon presentation.”

If the corporate debt ratings of an issuing bank drop below the above specified levels, the standard offer provider shall promptly: (1) notify the Commission’s Director of Electric and Gas Division and CMP in writing; and (2) provide replacement security that satisfies the requirements of Chapter 301 and this RFP.

**4.7 License**

Standard offer provider must at all times during the term of service possess a valid license, pursuant to Chapter 305 of the Commission’s rules, to provide standard offer service. Standard offer provider’s license must be effective as of the date it is designated a standard offer provider.

**4.8 Standard Offer Service Agreement**

Standard offer provider must have an executed Service Agreement with CMP within 24 hours of being designated. (See Appendix C for a Standard Form Service Agreement.)

**4.9 Resource Portfolio Requirement**

Standard offer provider must comply with the resource portfolio requirements of Chapter 311 of the Commission’s Rules.

**4.10 ISO-NE/NEPOOL Requirements**

Standard offer provider or an affiliate must comply with all applicable ISO-NE requirements, (and those of any successor entity or entities), and shall be the designated load serving entity with a settlement account for the applicable standard offer load. The necessary ISO-NE designations and accounts must be effective at least 30 business days prior to the start of the standard offer service term.

**4.11 EBT**

Standard offer provider must exchange data with CMP using the electronic business transactions (EBT) protocols and procedures contained in Maine’s EBT standards. The EBT standards are available from the Commission’s web site.

**4.12 Net Billing**

Standard offer provider must comply with the net billing requirements of Chapter 313 and Chapter 360 of the Commission’s Rules. Specific information on net billing can be obtained from CMP.

**5. BILLING AND PAYMENT**

**5.1 Allocation of Uncollectible Accounts**

Standard offer providers are allocated a fixed percentage amount for expected uncollectible standard offer revenue in accordance with the Service Agreement. The uncollectible percentages for the medium and for the large classes are specified in Exhibit A to the Standard Offer Provider Agreement (Appendix C). These amounts will remain fixed for the provider’s term of service.

**5.2 Payments for Standard Offer Service**

CMP will issue bills and receive payments from customers for standard offer service and will transfer funds to the standard offer provider in accordance with the Service Agreement.

Standard offer provider will receive gross revenues less uncollectible revenues for the applicable standard offer sales. Gross revenues are the product of the provider’s accepted bid price times the applicable kilowatt and/or kilowatt‑hour sales. Uncollectible revenues are the product of the applicable uncollectible percent times gross revenues.

**6. STANDARD OFFER PROVIDER LEGAL OBLIGATIONS**

**6.1 Legal Obligations and Responsibilities**

Designation by Commission Order of a bidder as a standard offer provider legally obligates the bidder to provide standard offer service at the offered and accepted prices and terms in accordance with Maine law and regulations and the provisions of this RFP.

**6.2 Standard Offer Provider Default**

Upon a determination that a standard offer provider has failed to provide service as required or has otherwise failed to fulfill its standard offer obligations, the Commission may declare such provider to be in default. If the Commission declares a standard offer provider to be in default, the Commission will take one or more actions specified in section 9 of Chapter 301.

The defaulting standard offer provider shall be responsible for and obligated to pay the additional costs of replacement standard offer service. As described in section 3 of Chapter 301, additional costs of replacement standard offer service are all costs that are incurred or will be incurred to acquire replacement standard offer service, including supply, administrative and enforcement costs, through the remaining standard offer term that exceed the amounts paid or to be paid by standard offer customers at the standard offer rates in effect at the time of the Commission’s declaration of a standard offer provider’s default. The Commission shall determine the amount of the additional costs of replacement standard offer service and order the defaulting standard offer provider to pay that amount.

If the Commission declares a standard offer provider to be in default and there are additional costs of replacement standard offer service, it may direct CMP to (1) withhold any payments due to the defaulting standard offer provider and use those amounts to cover additional costs of replacement standard offer service; and (2) use amounts from the financial security provided by or on behalf of the defaulting standard offer provider to cover the additional costs of replacement standard offer service.

In the event that the defaulting standard offer provider fails to pay the additional costs of replacement standard offer service as ordered by the Commission and the amounts obtained by CMP from the financial security are not sufficient to cover the additional costs of replacement standard offer service, the Commission or Maine’s Attorney General may bring legal action in Maine courts to fully recover these amounts.

**7. Other RFP Provisions**

**7.1 Proprietary Information**

A bidder may designate information included in its proposal as proprietary or confidential information. The Commission will take every reasonable step, consistent with law, to protect information that is clearly identified as proprietary or confidential on the page on which it appears. The identity of bidders selected to provide standard offer service, winning bid prices and standard offer prices will be public information.

**7.2 Proposal Costs**

All costs associated with developing or submitting a proposal in response to this RFP and providing oral or written clarification of its contents are borne by bidder.

## 7.3 Rights of the Commission

The Commission reserves the right to reject all proposals received in response to this RFP if in its sole determination the bid prices are unreasonably high and acceptance would not be in the public interest. In this situation, the Commission may at its sole discretion terminate the RFP and initiate a new selection process.

The Commission reserves the right to reject any proposal that in its sole determination does not meet the requirements and specifications of this RFP, the Commission’s rules, Maine law, or generally accepted business practices. The Commission may ask bidders to clarify or supplement their proposals and may at its sole discretion allow bidders to conform proposals to the required specifications.

**7.4 State Held Harmless**

The State of Maine, its officers, agents, and employees, including the Maine Public Utilities Commission, Commissioners and the employees or agents of the Maine Public Utilities Commission shall be held harmless from any and all claims, costs, expenses, injuries, liabilities, losses and damages of every kind and description resulting from or arising out of this RFP, the designation of standard offer providers or the provision of standard offer service.

## 7.5. Warranty

The information contained in the RFP and provided subsequently is prepared to assist bidders and does not purport to contain all of the information that may be relevant to bidders. The Commission makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information. The Commission, its staff and its agents shall not have any liability for any representations expressed or implied in, or any omissions from, the RFP or information obtained by bidders from the Commission, its staff, its agents or any other source.

1. CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). The formation of CME Group did not, however, result in any change to trading privileges for CME, CBOT and NYMEX/COMEX members. The applicable data set codes and descriptions are NI—ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures and KI—ISO New England Mass Hub Off-Peak LMP Futures. [↑](#footnote-ref-1)
2. If the 15th day of the month occurs on a weekend or holiday such that prices are not published, then prices for the next available date will be used. [↑](#footnote-ref-2)
3. Rating is the corporate credit rating of Guarantor. If Guarantor does not have a corporate credit rating, then Rating is the rating of Guarantor’s senior unsecured debt. If Guarantor has neither a corporate credit rating nor rated senior unsecured debt, then Rating is the rating of Guarantor’s senior secured debt. . The structure and credit support of the Guarantee shall be the same as the structure and credit support inherent in Guarantor’s applicable corporate credit rating, senior unsecured debt rating or senior secured debt rating. [↑](#footnote-ref-3)
4. If Guarantor is rated by all three of the agencies, two of the three must equal or exceed amounts shown. If Guarantor is rated by two of the agencies, the lower rating will apply.

   [↑](#footnote-ref-4)
5. If there are multiple suppliers for a class, the amounts in Table 2 will be adjusted, pro-rata, consistent with the supplier’s share of the class. [↑](#footnote-ref-5)