

Surety Bond Tariff Provisions

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Credit Subcommittee
July 24, 2018

- Issuer must be U.S. Treasury-listed Approved Surety
 - Change from first draft specifying “domestic insurance company”
 - Surety may qualify with a minimum insurer rating of “A” by A.M. Best
 - Other provisions same as for letters of credit
 - Minimum rating of “A” by S&P/Fitch or A2 by Moody’s
 - Lowest rating used if more than one

- Use of Surety Bond is specified to be an accepted form of Collateral for Market Participants and Transmission Customers
 - (Avoiding confusion with requirements for Interconnection Service Agreements, which require cash or letter of credit)
 - Will satisfy requirements for PMA, Working Credit Limit, screened activities, Minimum Participation Requirements)
- Surety Bond must have an initial period of one year
 - Automatic renewal provisions same as for letters of credit
 - Including ability to draw if canceled and not replaced

- Surety Bond must be payable upon demand without prior demonstration of validity
- Caps on acceptance of Surety Bonds
 - Per Member: \$10 Million limit from each Surety
 - Per Surety: \$50 Million aggregate limit
- No material changes will be allowed from the standard form