



ATTACHMENT Z1

ADMINISTRATION OF SECURITY WAIVERS & SURETY BOND ACCEPTANCE

By SPP CREDIT DEPARTMENT

February 13, 2020

BACKGROUND

On January 14, 2020, FERC accepted SPP's revisions to Attachment Z1 with respect to its treatment of collateral for certain transmission system upgrades. The revisions included two concepts that will be addressed in this document: 1) potential waiver of the security requirement (Section III.C.9), and 2) potential acceptance of a surety bond (Section III.C.10).

WAIVER OF SECURITY REQUIREMENT

Revised language in Attachment Z1 provides that SPP may waive the security requirement if two conditions are met: (1) the Transmission Owner advises SPP that the Eligible Customer has independently provided sufficient security for the upgrade and (2) the Transmission Owner agrees to not seek recovery from SPP in the event that Eligible Customer fails to satisfy any payment obligations it has to Transmission Owner in connection with the upgrade.

In administering this Tariff policy, SPP will require a request for waiver in the form of a letter from the Transmission Owner to SPP that, at minimum, includes all of the following:

- Specific name or number assigned to the transmission upgrade under Attachment Z1
- Statement that Transmission Owner advises Southwest Power Pool, Inc. that the Eligible Customer has independently provided to the Transmission Owner sufficient security for the upgrade and the Transmission Owner agrees to not seek recovery from Southwest Power Pool, Inc. in connection with any nonpayment by the Eligible Customer associated with the upgrade (the formal names of the Transmission Owner and Eligible Customer should be used in this statement)
- Description of the alternative security arrangement between Transmission Owner and Eligible Customer for which a waiver is requested including the duration in which the waiver is to be effective
- Signature by an officer of the Transmission Owner

ACCEPTANCE OF A SURETY BOND

Revised language in Attachment Z1 also provides that SPP may now accept, for the limited purposes set forth in Attachment Z1, a “surety bond issued by an insurer and acceptable to the Transmission Provider” in addition to previously accepted forms of security. In identifying appropriate surety bond requirements, SPP has looked to its current ‘Form of Irrevocable Standby Letter of Credit’ as one guideline for acceptable terms and conditions.

In administering this Tariff policy, SPP will require the surety bond that, at minimum, satisfies all of the following:

- Statement that Southwest Power Pool, Inc. is the sole beneficiary or obligee
- Underwritten by a surety issuer listed in the [U.S. Treasury’s List of Certified Companies](#) (evidence of listing is required during submission of surety bond)
- Underwritten by a surety issuer with a corporate debt, issuer default, or insurer financial strength rating of at least an “A-” by S&P, “A3” by Moody’s, “A-” by Fitch, or “A” by A.M. Best (evidence of rating is required during submission of surety bond)
- Statement that surety issuer will pay SPP upon demand
- Statement of any specific language the surety will require of SPP to draw on surety in the event of non-payment, contract default, and underwriter rating decrease (below ratings listed above)
- Statement that surety issuer will pay the full amount requested by SPP no later than the next business day after a draw request is presented to surety issuer
- Statement that Principal will pay all costs associated with the surety bond including, without limitation, all commissions and fees associated with the surety bond
- Statement that the surety bond has no stated expiration date (evergreen) and that surety issuer will provide notice to SPP no less than 90 days prior to termination

The above list of requirements is not all-inclusive, and SPP reserves the right to deny acceptance of any surety bond it does not consider appropriate.