

Subj: **WGQ Credit Addendum**
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From: Andrew Dotterweich

Please post the following comments from Consumers Energy on the WGQ Credit Addendum to be discussed on May 21st.

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OEP 12-440

Consolidated Comments of Consumers Energy are as follows:

1. Section 7 of the Cover sheet is entitled "Minimum Transfer Amount" and Section 10 is entitled "Rounding Amount". Both terms are defined differently, but it appears that they are both intended to describe a term used to reference the same monetary amount. If this belief is correct, a single defined term and definition should be used not 2.
2. The definition of "Collateral Threshold" on page 1 of the General Terms And Conditions is very "stilted". I suggest changing the proviso to read: "provided, however, that the Collateral Threshold for a party that is a Defaulting Party shall be zero upon the occurrence and during the continuance of an Event of Default."
3. The definition of "Credit Rating" should be changed to read as follows: "Credit Rating" shall mean, with respect to a party, on any date of determination the higher of (a) the unsecured long-term debt rating (not supported by third party credit enhancements) or, (b) general corporate credit rating or long term issuer rating for such party; in all cases established by S&P, Moody's or any other specified rating agency.
4. If a credit rating agency other than S&P or Moody's is desired/acceptable that fact can be appropriately noted under the "Special Provisions" section of the cover sheet.
5. The definition for "Specified Letter of Credit Issuer" should contain language that makes it clear that the issuer so specified is also acceptable to the parties concerned.
6. With respect to Paragraph 10 "Representations and Warranties", subpart "c" states that "the Secured Party will have a valid and perfected first security interest..." meaning that it is the non-secured party rather than the Secured Party that must do the perfecting. Has any legal research been done on the compatibility of this provision with Paragraph 8 "Care and Use of Cash". It raises legal questions that are not readily answerable.