

## ***Process for Submission of Alternate Forms of Guaranty***

### **Overview**

Any bidder can utilize the safe harbor provided by the standard form of guaranty appended to the Master SSO Supply Agreement. Ohio Power Company (“AEP Ohio”) will allow a bidder to submit an alternate form of guaranty for AEP Ohio’s consideration. To be acceptable to AEP Ohio, such an alternate form of guaranty must provide sufficient assurance of payment and must provide protections to AEP Ohio and its customers that are substantially similar to those provided by the standard form of guaranty.

AEP Ohio takes into account several general considerations, including whether the alternate form of guaranty fulfills the following minimum requirements:

1. The alternate guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The alternate guaranty must be an unconditional guaranty of payment of all amounts due by the SSO Supplier to AEP Ohio under the Master SSO Supply Agreement. The Master SSO Supply Agreement must be expressly identified and the satisfaction of obligations through performance may not be authorized.
3. The alternate guaranty may be terminated upon not less than thirty (30) days advance written notice to AEP Ohio and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred up to and including the effective date of the termination.
4. The alternate guaranty must be accompanied by a certification from the guarantor that this form of guaranty, subject to changes needed to conform to these minimum requirements or to the specific requirements that AEP Ohio sets forth in any requested modification, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
5. The alternate guaranty must be a guaranty of payment and not of collection.
6. Assignment of the alternate guaranty shall not be permitted except with the prior written consent of AEP Ohio.
7. The proposing party must provide an enforceability opinion, with respect to the alternate form of guaranty, from its outside counsel. The enforceability opinion must be from a law firm of national (i.e., United States) standing. The proposing party must name the law firm that is offering the enforceability opinion in its submission. The enforceability opinion must not be weaker than would be the industry norm and must contain only those qualifications that would be typical. The opinion shall name AEP Ohio and explicitly state that AEP Ohio is entitled to rely on the opinion.

At the time that the proposing party submits its alternate form of guaranty and supporting documentation, the opinion may be unsigned. If the proposing party becomes a winner in an auction under AEP Ohio’s CBP, in order for this alternate form of guaranty to be used by the proposing party, at the time of submission of the alternate form of guaranty, the

enforceability opinion must be provided duly signed and on letterhead of a law firm of national standing.

### Process

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of an alternate form of guaranty, the Auction Manager will redact the proposed alternate form of guaranty to remove any information identifying the proposing party. The Auction Manager will then forward the redacted version to representatives of AEP Ohio and, if applicable, to outside counsel that AEP Ohio may retain on its behalf.
- The AEP Ohio representatives will determine, with the consultation of outside counsel as necessary, whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following general considerations:
  - i. whether the alternate form of guaranty conforms with the specific requirements identified by AEP Ohio (listed above);
  - ii. whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to AEP Ohio by the standard form of guaranty; and
  - iii. whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard form of guaranty. The AEP Ohio representatives may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The AEP Ohio representatives shall inform the Auction Manager of their decision no later than six (6) business days following the deadline for submission of alternate forms of guaranty.
- Upon receipt of AEP Ohio's decision, the Auction Manager will notify the proposing party. AEP Ohio's decision will state:
  - i. The proposed alternate form of guaranty is acceptable to AEP Ohio in the form as submitted; or
  - ii. The proposed alternate form of guaranty is not acceptable to AEP Ohio in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Auction Manager will set forth the required changes; or
  - iii. The proposed alternate guaranty is not acceptable to AEP Ohio.
- If specific changes are required to the proposed alternate guaranty, the proposing party will have the opportunity to resubmit the alternate guaranty form with changes required by AEP Ohio on the business day following the business day during which the Auction Manager notified the proposing party of AEP Ohio's decision. No later than three (3) business days after the proposing party's resubmission, the Auction Manager will notify the proposing party of AEP Ohio's final decision.

**Use of Alternate Form of Guaranty**

If the alternate form of guaranty submitted by a bidder is approved through the process described in this document:

- The Auction Manager will keep on file the alternate form of guaranty as approved by AEP Ohio.
- If the bidder wins at the auction, the bidder is solely responsible for its guarantor using the alternate form of guaranty exactly as approved. AEP Ohio will reject an alternate form of guaranty that is not exactly as approved or that is not accompanied by an enforceability opinion duly signed and on letterhead of a law firm of national standing. In such a case, the bidder will be required to fulfill the creditworthiness requirements of the Master SSO Supply Agreement using the standard form of guaranty appended to the Master SSO Supply Agreement, or a letter of credit, or cash.
- An alternate form of guaranty approved through this process is acceptable to AEP Ohio for purposes of all auctions under AEP Ohio’s current CBP barring changes in applicable law or Commission-approved changes to the CBP.
- A bidder that obtains approval for alternate form of guaranty will receive a copy of the text of this alternate form of guaranty as approved by AEP Ohio with its Part 1 Notification prior to each auction under AEP Ohio’s current CBP.

**Timetable**

The following timetable ensures that bidders know whether their alternate forms of guaranty have been accepted before Part 1 Applications are due. **The deadline to submit an alternate form of guaranty, with all supporting documentation, is 12 PM (noon) (EPT) on December 23.**

<b>Activity or Decision Point</b>	<b>Deadline</b>
Deadline to submit alternate form of guaranty and all required documentation	12 PM on Friday, December 23, 2023
Auction Manager informs proposing parties of status of submission	6 PM on Thursday, January 05, 2023
Deadline to submit required modifications or revisions to the alternate form of guaranty or supporting documentation	6 PM on Monday, January 09, 2023
Auction Manager informs proposing parties of AEP Ohio’s final decision	6 PM on Thursday, January 12, 2023