

**Comments on Creditworthiness Draft #5 for Discussion at February 25, 2003 SUIS Meeting
(with Outcomes of February 25, 2003 Meeting)**

Section	Cmnt #	Comment	Commenter	Recommendation	Action for 2/25/03	Disposition on 2/25/03
1.0.0.0	1	Overall comment: These principles should be stated as assumptions that guided the participants in the development of the proposed business practices. They should not attempt to state policy preferences. If presented as a set of assumptions, it should be made clear that if a jurisdiction has adopted policies that would result in different assumptions, the business practices may not be applicable.	Maine Public Advocate	Is this moot since most of the principles might be deleted?	Discuss at meeting	No action taken
1.0.0.0	21	Note: any agreement between the Creditor and Applicant should be reflected in the Supplier Tariff or subject to approval by A.R.A.	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Covered in revised principle 1.1.1.6
1.1.1.1	1	Delete Principle - Covered in MBP 1.3.2.2	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.1.2	2	Delete Principle - Covered in MBP 1.3.2.3	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.1.3	3	Delete Principle - Covered in MBP 1.3.3.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.1.5	4	Delete Principle - Covered in REVISED MBP 1.3.3.12	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.1.5	1	Change "approved" to "decided upon" so it reads "...should be decided upon by the Applicable Regulatory Agency."	Southern Company	Leave as is - Discuss at meeting if don't agree to drop item.	Discuss at meeting	Decided against wording change, Covered in revised principle 1.1.1.6
1.1.4.1	5	Delete Principle - Covered in MBP 1.3.4.7	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.4.2	6	Delete Principle - Covered in MBP 1.3.4.5-6	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.4.2	7	Delete Principle - Covered in MBP 1.3.4.8	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.4.3	8	Delete Principle - Covered in MBP 1.3.4.5-6	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.4.3	1	Add 2nd sentence: "If a non-public Applicant uses financial information to have the security requirement waived, they must continue to submit financial information quarterly to ensure financial condition remains stable."	SCE	Discuss at meeting - Introduces new concept. Maybe this should become a new MBP (1.3.4.8)	Discuss at meeting	Covered in MBP 1.3.4.5-7?
1.1.4.4	9	Delete Principle - Covered in MBP 1.3.4.9	Detroit Edison	Accept the Change	Changed in Draft 6	Kept, not specifically addressed in MBP's

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1.1.4.5	10	Delete Principle - Covered in MBP 1.3.4.4	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.5.1	11	Delete Principle - Covered in MBP 1.3.5.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.5.2	12	Delete Principle - Covered in MBP 1.3.5.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.5.3	13	Delete Principle - Covered in MBP 1.3.5.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.5.4	14	Delete Principle - Covered in MBP 1.3.5.3	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.6.1	15	Delete Principle - Covered in MBP 1.3.6.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.6.2	16	Delete Principle - Covered in MBP 1.3.6.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.7.1	17	Delete Principle - Covered in MBP 1.3.7.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.7.2	18	Delete Principle - Covered in MBP 1.3.7.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.7.2	2	Add 2nd sentence: "Except for bankruptcy filing where the only cure is non-inclusion"	SCE	Discuss at meeting - How do we deal with bankruptcy in MBP 1.3.7...?	Discuss at meeting	Deleted, covered in MBP 1.3.7.2
1.1.8.1	19	Delete Principle - Covered in MBP 1.3.8.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.8.2	20	Delete Principle - Covered in MBP 1.3.8.1	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.8.3	21	Delete Principle - Covered in REVISED MBP 1.3.8.4	Detroit Edison	Accept the Change	Changed in Draft 6	Kept
1.1.8.4	22	Delete Principle - Covered in MBP 1.3.8.3	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted
1.1.8.4	1	Drop "Should be" so the sentence reads: ...to insure the confidentiality of the information, consistent with the Applicable ..."	PSE&G	Reject the change, the paragraph has been removed. Moot with the drop of 1.1.8.4	Reject the change	Deleted
1.1.8.5	23	Remove Note about credit reporting - No longer needed, Intent covered in REVISED MBP 1.3.8.4	Detroit Edison	Accept the Change	Changed in Draft 6	Deleted, covered in new MBP 1.3.8.1

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1.2.1.3	24	Change "Applicant" to "Billing Party"	Detroit Edison	Accept the Change - The "Billing Party" receives customer payments, not the "Applicant"	Changed in Draft 6	Change made
1.2.1.3	2	Billing Party: why is this definition stated in terms of Consolidated Billing only? This definition should reflect a "billing method neutral" meaning.	Maine Public Advocate	Do we need to define a party doing only its own billing as the "Billing Party"? Leave as is	Reject	Group felt "Billing Party" was clear under Dual Billing--change not needed
1.2.1.4	3	Consolidated Billing: define same as Billing and Payments business practices or defer to that document for definition.	Maine Public Advocate	CPS Definition = Consolidated Billing: The Billing Party produces a Customer bill consolidating the energy, transmission and distribution related charges of the Utility and the Supplier, for which a single payment from the customer is expected.	Discuss at meeting	Referred to Glossary Subcommittee
1.2.1.6	4	Default Provider: Delete the example and defer to Applicable Regulatory Authority for who provides and under what circumstances. Proposed: "The provider of energy supply service to Customers who are not being served by a competitive energy Supplier. This service is provided pursuant to the rules and policies established by the A.R.A."	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Referred to Glossary Subcommittee
1.2.1.7	5	Distribution company: delete the reference to "provide generation services" (covered under Default Provider).	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Deleted as suggested

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1.2.1.10	1	Offered alternate definition for Single Retailer model (from CPS Team) The Single Retailer Billing Model describes a relationship where the Billing Party (Supplier) purchases delivery service from the Non-Billing party and bills the customer. The Supplier generally serves as the single point of contact for the Customer. The Supplier pays the Distribution Company regardless of when, or whether, the Customer pays the Supplier.	AEP	Discuss at meeting	Discuss at meeting	CPS will take up Single Retailer Model at next meeting. SUIS would use CPS/ Glossary Subcommittee definition.
1.2.3.1	6	Application Form: do you want to limit this to application for credit or include the application that the supplier presents to the distribution company to do business with retail customers—whether or not credit may be involved?	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Changed to "Credit Application Form"
1.2.3.2	7	Governing Documents: include a reference to Billing Services Agreement and Supplier Tariff	Maine Public Advocate	These are covered at a higher level by the current definition -- leave as is	Reject	Group felt the broader terms "regulatory documents" and "contractual agreements" were sufficient.
1.2.3.3	2	Revised definition of Guarantor: "The entity who agrees to guarantee the Applicant's financial obligations, recognizing that the Applicant will be ultimately obligated to meet the Creditor's creditworthiness requirements."	PSE&G	Discuss at meeting	Discuss at meeting	Changed as suggested

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1.2.3.3	3	Brings up point that Guarantor must meet creditworthiness requirements.	SCE	Revise 1.3.3.9 to read: "When the creditworthiness requirement is being met through a guarantee arrangement, the Guarantor must meet the same creditworthiness requirements as an Applicant and submit the same financial documents. They would also need to provide additional documentation of the guarantee arrangements: "	Changed in Draft 6	Now explicitly stated in MBP 1.3.3.10
1.2.3.4	3	New definition for Certificate of Incumbency (aka Secretary Certificate): "A document attesting the name and signature of the officers of the Company authorized to sign the Guaranty"	PSE&G	Accept the Change	Changed in Draft 6	Accepted
1.2.4.2	4	Replace "their" with "its", so it reads "... to a material change in its credit rating..."	PSE&G	Accept the Change	Changed in Draft 6	Accepted
1.2.4.3	8	Material Change: the focus on bond rating changes alone is much too narrow. This definition should reflect a wide range of changes/events that would adversely impact an entity's financial condition (compared to the original application).	Maine Public Advocate	Discuss at meeting	Discuss at meeting	New definition developed at meeting-section 1.2.4.3.
1.2.4.3	1	Definition of Material Change: "Material Adverse Change is defined as Creditor having reasonable grounds for insecurity regarding the performance of any obligation by the Applicant.	National Grid	Discuss at meeting	Discuss at meeting	New definition developed at meeting-section 1.2.4.3.

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1.2.4.3	2	Definition of Reasonable Grounds for Insecurity: A material and adverse change which impacts Creditors (Applicants?) ability to perform it obligations (whether or not then due) which includes:, but limited to: a decline in the credit rating of Creditor (Applicant?) (or if applicable, its guarantor, as determined by either Standard and Poors Corporation (or its successor) or Moody's Investors Services, Inc. (or its successor).	National Grid	Discuss at meeting	Discuss at meeting	New definition developed at meeting--section 1.2.4.3.
1.2.4.3	5	Definition for Material Change: "A change in the Applicant's financial condition that might affect the amount of unsecured credit extended to that Applicant."	PSE&G	Discuss at meeting	Discuss at meeting	New definition developed at meeting--section 1.2.4.3.
1.2.4.3	10	Comments on Material Change Bond rating changes are only one example of a material change and may or may not be material depending on degree. Material changes can be anything including SEC investigations or Shareholder lawsuits or any other type of major lawsuit. It can be considered a material change for companies to file a notification of late filing with SEC due to financial restatements. In addition, any cumulative change in financial condition that causes us to take action can be considered a material change. In short, our definition of a material change is any change in credit standing that causes us to take action period. This is where the subjectivity comes in.	SCE	Discuss at meeting	Discuss at meeting	New definition developed at meeting--section 1.2.4.3.
1.2.4.4	9	Periodic Reconsideration: do not specify "annual" but refer to Governing Documents.	Maine Public Advocate	Agree, delete "annual", since it is stated elsewhere (MBP 1.3.4.7)	Changed in Draft 6	"Annual" removed
1.2.8.1	25	Delete "Information that relates to the" ...nonpublic financial... so the sentence reads: "Nonpublic financial information concerning..."	Detroit Edison	Discuss at meeting	Discuss at meeting	Accepted

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1.2.8.1	10	Confidential Information: the key here is "nonpublic financial information". Does this refer to information that is legally withheld from the public? From a government agency that has licensed both the Creditor and Applicant? Who is the "public"? SEC? A.R.A.? Do you mean to limit this to "financial" information? What about personnel matters? Enforcement investigations underway? Items that must be reported in SEC quarterly 10K filings?	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Group discussed and agreed "financial" was broader and could include the items mentioned, but felt items that must be reported to SEC (etc.) were public.
1.3.1.1	11	Scope: I would like to raise the issue of whether these business practices should address "risks associated with being the Default Provider"? In most states, the procedures concerning billing and collection are handled very separately from the policies and procedures associated with becoming the Default Provider (e.g., compare the Supplier Tariff re consolidated billing in PA with the extensive and quite separate set of requirements with serving as Default Provider in the PECO Energy competitive default service program.) The risks associated with Default Provider are so different and a much larger scale than for billing. I recommend that the SUIS consider deleting this matter from this round of business practices because as currently drafted the document does not reflect these special concerns	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Group left scope as stated, MBP 1.3.2.1 is broad enough to cover different types of risks.
1.3.3.1	26	Insert new MBP as 1.3.3.1 "1.3.3.1 The same criteria and methodology for determining the Applicants unsecured credit limit should be used for all Applicants presenting a given risk, such as the risk associated with Consolidated Billing, Provider of Last Resort, etc."	Detroit Edison	Accept the Change Note: This changes the remaining numbering in section 1.3.3 for Draft 6	Changed in Draft 6	Accepted (implements non-discrimination Principle)
1.3.3.5 (now 1.3.3.6)	4	Five Days is Fine	SCE	Discuss at meeting	Discuss at meeting	Use 5 business days
1.3.3.6 (now 1.3.3.7)	5	Add new sentence " For private companies the end-end financials must be audited and include notes and debt schedules."	SCE	Discuss at meeting	Discuss at meeting	Accepted
1.3.3.9.3.3 (now 1.3.3.10.3)	6	Replace "that " with "which" so it reads: Legal opinion which states..."	PSE&G	Accept the Change	Changed in Draft 6	No change, "that" is correct

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1.3.3.9.3.3 (now 1.3.3.10.3)	6	Recommends that we not accept foreign quarantines	SCE	Discuss at meeting	Discuss at meeting	No change
1.3.4.7	27	Add "absent a Material Change in their financial condition" to end of sentence to make it clear the limit on frequency of reviews doesn't apply when there has been a Material Change.	Detroit Edison	Accept the Change	Changed in Draft 6	Modified change accepted at meeting
1.3.4.7	7	Six months is fine	SCE	Discuss at meeting	Discuss at meeting	Group agreed on twelve months
1.3.5.3	8	Recommend 10 business days	SCE	Discuss at meeting	Discuss at meeting	Referred to appropriate Governing Document instead of specifying days here
1.3.5.4	9	Recommend 10 business days	SCE	Discuss at meeting	Discuss at meeting	Referred to time period reference in 1.3.5.3, (back to Governing Document)
1.3.5.5	28	Replace "Supplier" with "Applicant" to tie to creditworthiness, change Utility to Distribution Company, since that is the term we use.	Detroit Edison	New Wording: "1.3.5.5 When the Applicant is a Supplier and they can partially, but not fully, meet such a security or deposit in this time period, they can avoid disqualification by reducing the level of exposure they present to the Distribution Company to an amount commensurate with the amount of security or deposit tendered."	Changed in Draft 6	Changes made and incorporated into 1.3.5.4

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1.3.5.6	29	Add new MBP to put idea of disqualification into MBP's "When an Applicant is a Supplier and they fail to remedy their failure to provide adequate security in the timeframes specified above, the Distribution Company make seek with the Applicable Regulatory Authority to disqualify the Supplier from serving customers in the Distribution Company's Service Area. "	Detroit Edison	Add new MBP as 1.3.5.6. DE wording appears in Draft 6 Need to discuss at meeting.	Discuss at meeting	Now covered in last bullet under MBP 1.3.5.3
1.3.7.1	12	1.6.3.1 – 1.6.3.5 (1.3.7.1 - 1.3.7.3) I think that the proposed business practice should not define what a default is (failure to pay) because the concept of default is bigger than just failure to pay. Nor should it outline all the events that must proceed calling on the security. These should be defined specifically in the credit agreement and perhaps the Model Practice should be to require that the parties clearly define these events. What does "calling" mean in this context? Define	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Failure to pay reference removed.
1.3.7.1	13	Proposed: Upon a default by a party to a credit agreement (as defined in the credit agreement), the non- defaulting party should notify the other party and initiate any "notice and cure" provision that is required by the agreement. Following the expiration of any applicable notice and cure provision, the non- defaulting party may initiate the process of calling on a security instrument	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Covered by revised MBP 1.3.7.1
1.3.7.1	14	Do you want to develop a "model" notice of default and cure? A "model" notice of how to call on a security instrument?	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Discuss at next (April) meeting
1.3.7.1	15	Can these notices be provided electronically? What does "written" mean in this context? Registered mail? Fed Ex package?	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Still open
1.3.7.2	16	Delete 1.6.3.2 and 1.6.3.3 (1.3.7.2 and 1.3.7.3) calling on security without notice-these criteria and eventualities should be set forth in credit agreement, but to propose such a substantive provision in these Business Practices is probably too controversial.	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Group kept these, and modified 1.3.7.3

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1.3.7.4	17	Delete 1.6.3.4 (1.3.7.4): Normally when a Supplier ceases business, it must also comply with regulatory "abandonment" requirements and notices to its customers, etc. In this context, what does "ceasing service" to customers mean? Stop billing? Abandon license? I suggest that this practice focus on the defined default provisions in the credit agreement between the supplier and utility, which is already covered in proposed 1.6.3.1, above. Why would you want to delay for 30 days anyway?	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Deleted
1.3.7.5	22	I can't tell if you have deleted this section or if you just have not gotten to it yet. If the latter, I object to any description of remedies or actions that a Creditor can take that affects the retail customers of the Applicant. These actions are subject to policies and procedures adopted by A.R.A. and can only be taken with approval of the A.R.A. in most cases or under its supervision with notice to customers, etc.	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Deleted
1.3.7.5	18	Delete 1.6.3.5: These business practices should not address what the creditor does with the security in terms of posting to customer accounts. This security represents funds owed by supplier to utility (or vice versa) and should not address the implications for retail customer accounts.	Maine Public Advocate	Discuss at meeting	Discuss at meeting	Deleted

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1.3.8.1	19	1.7.3.1: (1.3.8.1) I don't understand this proposed practice. The "creditor" and "applicant" have presumably already entered into an agreement to allow the supplier to provide service to retail customers pursuant to A.R.A.-issued licenses and approval of Supplier Tariffs. Of course the "applicant names" are public information! The entire relationship is public. What I think you want to do to set forth the specific type of information that the Creditor must protect as confidential in the context of a credit agreement only, i.e., the information that the applicant will provide to the creditor to establish credit and make sure that the language is not misinterpreted to refer to the "doing business" relationship that may not involve a credit evaluation.	Maine Public Advocate	Change 1.3.8.1 to read: "The Creditor may not disclose any non-public information it receives from the Applicant in the process of establishing an unsecured credit limit." Do we need to keep the concept of keeping the Applicant name "confidential"? They haven't yet established their working relationship.	Discuss at meeting	Group felt the concepts were important to keep and re-worded 1.3.8.1. That a Supplier is active in a given Distribution Co service area would be evident, but, application for unsecured credit wouldn't be.
1.3.8.1	20	A proper type of business practice would be to develop the procedures that an entity should adopt to assure confidentiality of certain information. This is not here.	Maine Public Advocate	When we get to it, wouldn't a proposed model Confidentiality Agreement do this?	Discuss at meeting	Does the model non-disclosure agreement get us there?
1.3.8.4	30	Add the word "historical" to clarify that Creditor may report on its actual experience with the Applicant	Detroit Edison	Accept the Change	Incorporated into revised 1.3.8.4	Added to revised 1.3.8.1