

Comments on Creditworthiness Draft #3 for Discussion at January 8, 2002 SUIS Meeting

Section	Comment #	Comment	Commenter	Recommendation	Disposition	Substantive?
1.0.1.2	1	Add "be" so it reads "...should be published..."	PSE&G	Make the change, fixes typo.	Change made in Draft #4	No
1.0.1.3	1	Replace "way" with "and commercially reasonable manner."	Ameren	Make the change	Change made in Draft #4	Yes
1.0.1.6	2	Change "standard commercial practices" to "industry standard commercial practices"	Ameren	Make the change	Change made in Draft #4	Yes
1.0.1.6	3	Comment: Why? (Questions need for this Item?)	Ameren	This item already marked for review, need to discuss its inclusion/deletion.	Discuss at 1/8/03 meeting	Yes
1.0.2.8	2	Fix spelling of "Billing"	PSE&G	Make the change, fixes typo.	Change made in Draft #4	No
1.0.3.1	1	Change second paragraph to read "Risks relating to wholesale transactions between a Retail Supplier and a Distribution Company are excluded:"	WPS	Make the change--much clearer	Change made in Draft #4	No
1.0.3.1	2	Change third paragraph to read: "Risks to the Consumers relating to the failure or withdrawal from the market of suppliers are also excluded."	WPS	Make the change--with modification: New wording: <i>Risks to consumers resulting from a Retail Supplier's failure or withdrawal from the market are also excluded.</i> "	Change made in Draft #4	No
1.1.1.1	3	Be consistent in punctuation.	WPS		Noted	No
1.1.1.2	4	What's a Governing Document?	WPS	Add definition of Governing Document	Change made in Draft #4	No
1.1.1.3	5	1.1.1.3 and 1.1.1.4 must be in writing	WPS	Specification of it in writing is a good idea, but may be better handled by adding the following to 1.1.3.10 "The written report should fully describe the Creditor's evaluation process and include the rationale for the creditworthiness determination and the rationale for the determination of risk exposure associated with the Applicant."	Change made in Draft #4, Section 1.1.3.10	Yes
1.1.3.5	4	Agrees with five days to notify Applicant of missing materials.	Ameren	Discuss at meeting.	No change	Yes
1.1.3.7	6	Second bullet: Auditor's Letter to Management should also be included.	WPS	Add it (does this apply only to "substitute" forms of information (not 10-K or 10-Q)?)	Change made in Draft #4	Yes

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1.1.3.7	7	Third bullet: add "with notes".	WPS	Add it	Change made in Draft #4	Yes
1.1.3.7	3	Change "annual" to "quarterly", so it reads, "...substitute with audited quarterly financial information..."	PSE&G	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.1.3.7	4	Remove parenthetical reference that it might be the parent.	PSE&G	Make the change, moving up to a more creditworthy entity will happen naturally.	Change made in Draft #4	Yes
1.1.3.9	1	30 days should be 5 business days	NYSEG	Need to discuss (comment noted in draft #3 circulated)	Discuss at 1/8/03 meeting	Yes
1.1.3.9	8	Thirty days is too long a period for an Applicant wanting to enter the market. IF the Applicant doesn't have his duckies lined up to provide service is one thing, but for the Creditor, especially if the Creditor is the Distribution Company, to hold things up by administrative rule may be viewed as a unfair barrier for new participants to enter the market.	WPS	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.1.3.9	5	Suggests either 30 days for 10 business days would be reasonable.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.2.1.2	9	Add "written"	WPS	Change made to Section 1.1.3.10 in response to WPS comment #5 should cover this.	No change	Yes
1.2.1.6	2	(IF THE ECONOMY TAKES A DOWN TURN, THE UTILITY COULD RE-EVALUATE ITS CREDITWORTHINESS FORMULA - USING THE SAME FORMULA MAY NOT HOLD TRUE.)	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.2.2.2	10	Add "caused by external conditions or circumstances to the company" at the end of the sentence. (Material Changes may be both beneficial or adverse.)	WPS	Don't make the addition. Events internal to the company could also cause such a change. Current wording allows Creditor to initiate if adverse change and for Applicant to initiate if favorable.	No change	Yes
1.2.2.3	3	(WHAT IF THE UTILITY HAS INFORMATION FROM A REPUTABLE SOURCE OF A FINANCIAL CHANGE BUT THE BOND RATING HAS NOT BEEN CHANGED?)	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes

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1.2.2.3	11	I believe GAAP provides guidelines or direction what constitutes a material change in financial condition. Bond rating may not be applicable to all Applicants, especially if a new or small or private company.	WPS	Need to discuss at meeting. WE NEED INPUT FROM ADDITIONAL PARTICIPANTS	Discuss at 1/8/03 meeting	Yes
1.2.2.3	6	This should be a much broader definition that may include ratings downgrades, but should in no way be limited to them. A definition of material change could include a substantial change in the financial condition that results in the improvement or deterioration of a company's ratings from a major rating agency, ability to access capital markets, continue as a going concern, perform its obligations, ability to make payments as they come due, etc.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.2.2.4	4	Make it an annual review	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.2.2.4	7	OK with "A routine annual..." but also offers "A routine review of an Applicant's creditworthiness, performed at least annually">	Ameren	Leave as is, "A routine annual..."	No change	Yes
1.2.3.2	12	<In 1.1.3.9 evaluation takes 5 days. A re-evaluation takes 15? Make consistent?>	WPS	Agree--Re-evaluation time frame should equal the original evaluation. (Need to agree on that first)	Make Equal to time in Section 1.1.3.5	Yes
1.2.3.7	5	Change 12 months to six months	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.2.3.7	13	Added comment: <except for event-driven circumstances>	WPS	Leave as is, especially if settle on six months--that's often enough to reflect a supplier's improving financial condition.	No change	Yes
1.2.3.7	8	OK with Applicants requesting a re-evaluation every six months.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.3.1.3	14	Add "appropriate to the amount of additional exposure" to the end of the sentence.	WPS	Make the change	Change made in Draft #4	Yes
1.3.3.1	15	Add "appropriate to the amount of additional exposure" to the end of the sentence.	WPS	Make the change	Change made in Draft #4	Yes
1.3.3.3	6	Change 20 calendar days to 5 calendar days	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes

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1.3.3.3	16	Added Comment: < customer service nightmare as far as relationship management? ITS nightmare and physical capability to make switches and programming changes?.>	WPS	Good point, but this action is a near last-step. Do we need/want to modify the document?	No change	Yes
1.3.3.3	9	Suggest 5 business days is better.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.3.3.4	7	Change 45 days to 5 days (45 DAYS POSES A SUBSTANTIAL FINANCIAL RISK AND COULD BE ENOUGH TIME FOR THE UTILITY TO BE STUCK WITH BALANCES)	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.3.3.4	10	Suggests 30 days, if use 5 business days in Section 1.3.3.3	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.4.1.2	17	Remove word "unduly", so it reads: "The Creditor should not discriminate in extending credit..."	WPS	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.4.1.3	18	Add "written/documented" , so it reads "The Creditor should be prepared to provide the written/documented rationale..."	WPS	Leave as is. Covered in Section 1.1.3.10 pursuant to WPS #5	No change	Yes
1.4.1.4	19	Add "written/documented" , so it reads "The Creditor should be prepared to provide the written/documented rationale..."	WPS	Leave as is. Covered in Section 1.1.3.10 pursuant to WPS #5	No change	Yes
1.4.3.2	20	Add "criteria and" so it reads: "The same criteria and methodology..."	WPS	Make the change	Change made in Draft #4	Yes
1.4.3.3	21	Added comment: <published where? as on file with the governing regulatory body? Creditor website? available upon request from the Creditor by the Applicant>	WPS	Need to discuss whether we need/want to specify where to publicize	Discuss at 1/8/03 meeting	Yes
1.4.3.4	11	Comment: Should include Creditor's risk management policies as a basis.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.5.2.6	22	Change "Utility" to "Creditor"	WPS	Change it, fixes a typo	Change made in Draft #4	No
1.6.3.1	23	In first bulleted item: Change "notice" to "written Notice"	WPS	I think the intent was to provide the Applicant a warning of pending default-- does it need to be in writing?	Discuss at 1/8/03 meeting	Yes

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1.6.3.1	24	Comment on second bulleted item: < timing of providing a written notice to default notice after INTENT to call is declared?>	WPS	Is the written notice of default driven off the five days specified in the previous bulleted item?	Discuss at 1/8/03 meeting	Yes
1.6.3.1	5	Change from "five days" to "the cure period".	PSE&G	Discuss at meeting. Don't we need to specify the cure period?.	Discuss at 1/8/03 meeting	Yes
1.6.3.3	12	Comment: It should be qualified that if the Creditor doesn't have exposure, they shouldn't be able to just call on security. However, I'm not familiar enough with this scenario to know what exposure is implied, if any.	Ameren	This should be self-resolving. If there is no exposure then the creditworthiness requirement and related security requirement are zero.	Discuss at 1/8/03 meeting	Yes
1.6.3.4	8	Change 30 days to 5 days	NYSEG	Need to discuss	Discuss at 1/8/03 meeting	Yes
1.6.3.5	13	Comment: Wouldn't you need to allow some time for normal billing and payment due dates before just calling on security?	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes
1.7.1.4	14	Comment: May want to add that Applicant may choose to use Creditor as a credit reference and that would require Creditor to provide only general credit information, no confidential info, in response to a credit check.	Ameren	Discuss at meeting.	Discuss at 1/8/03 meeting	Yes