

NCPA Proposal for Establishing Unsecured Credit Limits to Not-for-Profit, Public Entities

In its May 12 Order from FERC, the Commission “strongly encouraged the ISO to work with its stakeholders to develop an alternative measure to calculate the financial strength of non-profits’ unsecured credit limits”.¹

NCPA’s proposal to the California ISO in the following paragraph incorporates credit requirements language similar to that used by the New York ISO in its tariff, which has been approved by FERC², as follows:

A municipal electric utility system that operates and serves its load through the use of the California ISO grid shall be established a minimum base floor amount of unsecured credit limit for the amount of one million (\$1,000,000) dollars, without regard for its tangible net worth. At its request, a municipal electric utility system may submit to a tangible net worth test in order to determine its unsecured credit limit as the greater of the minimum base floor amount of one million (\$1,000,000) dollars or the credit limit amount resulting from the ISO’s “eight step process”³ used to determine unsecured credit amounts. Municipal electric utility systems that operate through a joint action agency or a similar municipal affiliation agreement may aggregate the unsecured credit limit base floor amount of one million (\$1,000,000) dollars for each member such that the joint action agency will have an aggregated unsecured credit limit base floor amount equal to the sum total of the unsecured credit limit amounts of each individual joint action member and where each member may submit to a tangible net worth test to determine its unsecured credit limit as the greater of the minimum base floor amount of one million (\$1,000,000) dollar or the amount resulting from the eight step process. Each such agency will qualify for such aggregated unsecured credit amount treatment subject to the ISO’s review of the particular affiliation agreement and the ISO’s review of documentation submitted by the agency to demonstrate that it has been formed under the pertinent sections of the California State Municipal Law.

¹ “Order Conditionally Accepting Tariff Revisions Governing Credit Policy” in Docket No. ER06-700-000 in paragraph 35.

² Refer to the following NYISO Appendix K from the NYISO tariff at its website link:
http://www.nyiso.com/public/webdocs/documents/tariffs/market_services/att_k.pdf.

³ Refer to section A-3 of the “ISO Credit Policy and Procedure Guide” located at the following ISO Credit Policy link <http://www.caiso.com/docs/2003/04/21/2003042117001924814.html>, in which the ISO uses an eight step process to calculate unsecured credit limits.