

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Southwest Power Pool, Inc.

Docket No. ER06-432-000

NOTICE OF TECHNICAL CONFERENCE

(March 22, 2006)

Take notice that a technical conference will be convened on Monday, April 10, 2006, from 1:00 p.m. to 4:00 p.m. (EST), in Conference Room 3M-3 at the offices of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

The technical conference will deal with two issues related to Southwest Power Pool, Inc.'s proposed credit policy, as discussed in the Commission's February 28, 2006 Order.<sup>1</sup> Specifically the Commission directed Commission staff to examine SPP's proposed total debt to total capitalization and debt service coverage scores and SPP's proposed \$50,000 unsecured credit floor for not-for-profit entities.<sup>2</sup> The Commission found that SPP's proposal may not be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission accepted SPP's Credit Policy for filing and suspended it to become effective on March 1, 2006, subject to refund and the outcome of a technical conference. A report on the technical conference is due to the Commission no later than May 30, 2006.

Attached to this notice are questions to the parties in this proceeding. Responses to these questions should be filed no later than ten days before the date of the conference. The submitted information will be discussed at the technical conference and used to supplement the record.

FERC conferences are accessible under section 508 of the Rehabilitation Act of 1973. For accessibility accommodations please send an email to [accessibility@ferc.gov](mailto:accessibility@ferc.gov) or call toll free (866) 208-3372 (voice) or 202-502-8659 (TTY), or send a fax to 202-208-2106 with the required accommodations.

All interested persons are permitted to attend. For further information please contact Jignasa Gadani at (202) 502-8608 or e-mail [jignasa.gadani@ferc.gov](mailto:jignasa.gadani@ferc.gov).

Magalie R. Salas  
Secretary

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<sup>1</sup> *Southwest Power Pool, Inc.*, 114 FERC ¶ 61,222 (2006).

<sup>2</sup> *Id.* at P 32 and 62.

## ATTACHMENT A

### I. DEBT-TO-CAPITAL (D/C) AND DEBT-COVERAGE (D-COV) QUESTIONS

#### (A) Questions for SPP

- 1) What is the basis for debt-to-capital and debt-coverage thresholds set in Attachment X for credit scoring for:
  - a. An investor owned utility (IOU), 4.2.1.1 in Attachment X?
  - b. A municipal or publicly or co-operatively owned utility (POU), 4.2.3.1 in Att. X?
- 2) Please provide specific credit rating agency reports or documentation, including both general rating methodologies and criteria for IOUs and POUs as well as representative rating agency analyses of specific SPP market participants used by SPP in developing SPP's credit scoring process. To facilitate discussion, provide a table with headings similar to:

IOU				POU			
<u>D/C</u>	<u>D-COV</u>	<u>Rating</u>	<u>SPP Score</u>	<u>D/C</u>	<u>D-COV</u>	<u>Rating</u>	<u>SPP Score</u>

- 3) Based on the above, please answer questions such as:
  - a. What is the basis for equating a debt-to-capital ratio of an IOU of 0.30 to a debt-to-capital ratio of 0.50 for a POU, etc.?
  - b. How do you determine that these thresholds treat IOUs and POUs comparably?

#### (B) Questions for Intervenors

- 1) What is the specific basis of your objections to SPP's credit scoring methodologies?
- 2) Please provide specific rating agency reports or documentation, including both general rating methodologies and criteria for IOUs and POUs as well as representative rating agency analyses of specific SPP market participant IOUs and POUs that support your objections. To facilitate discussion, provide a table with headings similar to:

IOU				POU			
<u>D/C</u>	<u>D-COV</u>	<u>Rating</u>	<u>SPP Score</u>	<u>D/C</u>	<u>D-COV</u>	<u>Rating</u>	<u>SPP Score</u>

- 3) Based on the above, please answer questions such as:
  - a. What is the basis for asserting that the equity component of the capital structure is much less relevant to the credit quality of a POU as it is for an IOU?
  - b. What is the basis for asserting that SPP's credit scoring process unduly discriminates against POUs relative to other classes of customers?

## II. UNSECURED CREDIT FLOOR QUESTIONS

### Questions for SPP and Intervenors

- 1) To what extent would a \$250,000 unsecured credit floor represent a greater risk for SPP than a level of \$50,000?
- 2) How is this risk greater for SPP than the Midwest Independent Transmission System Operator, Inc. for the same set of transactions and exposure?
- 3) To what extent would a \$50,000 unsecured credit floor represent a constraint for a POU to be an active market participant versus a higher \$250,000 credit floor?
- 4) Define what real costs are and provide an estimate of the real costs imposed by a lower credit floor?
- 5) Please estimate, if possible, how many SPP market participants will receive unsecured credit floors less than \$250,000, and thus will be affected by SPP's proposal to use the \$50,000 amount.