

**DOCKET**

06-IEP-1 / 03-RPS-1078

DATE Jun 27 2006

RECD. Jul 11 2006



# Credit Requirements for Power Purchase Agreements

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California Energy Commission Workshop

June 27, 2006



# Defining Credit Risk

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- Possible loss associated with counterparty default

# Types of Credit Risk

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- **Payment risk**
- **Performance risk**

# Performance Risk

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- **Contract replacement**
- **Market conditions**

# Mitigating Performance Risk

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- Collateral
- Contract terms and conditions

# Collateral

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- Offer deposit
- Security during construction period
- Security during operations

# Offer Deposit

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- **Risk: unreliable offer**
- **Mitigation: deposits upon reaching milestones for selection and approval**

# Security During Construction Period

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- Risk: delay or failure to complete
- Mitigation: delay damages



# Security During Operations

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- **Risk: contract breach**
- **Mitigation: posting of collateral**
  - Mark-to-market posting
  - Revenue-based posting

# Contract Terms and Conditions

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- **Termination**
  - Pre Commercial Operations Date
  - Post Commercial Operations Date