**Section 551.80 Financial Qualifications**

An applicant shall be deemed to possess sufficient financial resources to be certified as an AGS able to serve available residential or small commercial customers if it meets any of the following criteria:

a) The applicant provides a copy of a Dun & Bradstreet Business Information Report that demonstrates, at a minimum, that the applicant has a Composite Credit Appraisal of "3" or lower and a PAYDEX score of "70" or higher. If the applicant does not have a Dun & Bradstreet Composite Credit Appraisal, the applicant provides a copy of an Experian Small Business Intelliscore report that demonstrates, at a minimum, that the applicant has an Intelliscore of "63" or higher. At the time of application for certification, the report shall be no more than 30 days old.

b) The applicant maintains at least one of the following short-term credit ratings: A-2 or higher from Standard & Poor's or its successor, P-2 or higher from Moody's Investors Service or its successor, or F-2 or higher from Fitch Ratings or its successor; or at least one of the following long-term credit ratings: BBB- or higher from Standard & Poor's or its successor, Baa3 or higher from Moody's Investors Service or its successor, or BBB- or higher from Fitch Ratings or its successor. The applicant shall provide with its application a copy of the ratings agency reports that present the ratings of the applicant.

c) The applicant maintains a borrowing agreement with an affiliate.

1) The affiliate must have at least one of the following short-term credit ratings: A-2 or higher from Standard & Poor's or its successor, P-2 or higher from Moody's Investors Service or its successor, or F-2 or higher from Fitch Ratings or its successor; or at least one of the following long-term credit ratings: BBB- or higher from Standard & Poor's or its successor, Baa3 or higher from Moody's Investors Service or its successor, or BBB- or higher from Fitch Ratings or its successor.

2) The amount of credit available to the applicant under the borrowing agreement shall be no less than the greater of $500,000 or 5% of the amount of the applicant's revenue for its most recently completed fiscal year adjusted for any amount of revenue expected from customer accounts purchased or under contract to be purchased from another AGS. The amount of revenue for the applicant's most recently completed fiscal year must appear in the applicant's certified financial statements, or those of the applicant's parent, that have received an accountant's report that certifies those financial statements to be free of material misstatement. If the applicant is using the certified financial statements of its parent, the amount of credit available under the borrowing agreement shall be determined using the applicable revenue amount from the segment information section of the certified financial statements of the applicant's parent.

A) If the applicant is listed separately in the segment information section, the applicant's revenue shall be used.

B) If the segment information section is broken down by operation, or other means, the revenue for the entire segment of which the applicant is part shall be used, unless a certified breakdown of the segment by company is provided.

3) The borrowing agreement shall be valid for a period of not less than one year.

4) The applicant shall provide a copy of the following:

A) The ratings agency reports that present the ratings of the affiliate with which the applicant maintains the borrowing agreement;

B) The borrowing agreement;

C) The applicant's certified financial statements, or those of the applicant's parent, as applicable;

D) The accountant's report for the applicant's certified financial statements or those of the applicant's parent, as applicable; and

E) Documents supporting any estimate of revenue from customer accounts purchased or under contract to be purchased from another AGS.

d) The obligations of the applicant to unaffiliated companies arising from the acquisition of natural gas that can be delivered to residential or small commercial customers in the State of Illinois, for sale or lease or in exchange for other value received are covered under a guarantee, payment bond, or letter of credit.

1) This option is only available to an applicant that will engage in activi­ties that could result in the applicant holding an ownership interest in or taking title to natural gas for the purpose of sale or resale to Illinois residential or small commercial customers.

2) The guarantee, payment bond, or letter of credit shall be in an amount that is no less than the greater of $500,000 or 5% of the amount of the applicant's revenue from the sale of natural gas for the most recently completed fiscal year adjusted for any amount of revenue expected from customer accounts purchased or under contract to be purchased from another AGS. The amount of revenue for the applicant's most recently completed fiscal year must appear in the applicant's certified financial statements, or those of the applicant's parent, that have received an accountant's report that certifies those financial statements to be free of material misstatement. If the applicant is using the certified financial statements of its parent, the amount of credit available under the borrowing agreement shall be determined using the applicable revenue amount from the segment information section of the certified financial statements of the applicant's parent.

A) If the applicant is listed separately in the segment information section, the applicant's revenue shall be used.

B) If the segment information section is broken down by operation, or other means, the revenue for the entire segment of which the applicant is part shall be used, unless a certified breakdown of the segment by company is provided.

3) The guarantee, payment bond, or letter of credit shall be valid for a period of not less than one year.

4) Guarantee. The guarantor shall be an affiliate of the applicant that maintains at least one of the following short-term credit ratings: A-2 or higher from Standard & Poor's or its successor, P-2 or higher from Moody's Investors Service or its successor, or F-2 or higher from Fitch Ratings or its successor; or at least one of the following long-term credit ratings: BBB- or higher from Standard & Poor's or its successor, Baa3 or higher from Moody's Investors Service or its successor, or BBB- or higher from Fitch Ratings or its successor. The guarantee shall obligate the guarantor to make contractually required payment, net of set-offs for any amounts owed to the applicant, to the supplier for services rendered or gas supplied in the event the applicant defaults. The applicant shall provide a copy of the following:

A) The ratings agency reports that present the ratings of the affiliate that is the guarantor;

B) The guarantee;

C) The applicant's certified financial statements, or those of the applicant's parent, as applicable, including the accountant's report. If the amount of the guarantee is without dollar limitation, neither the applicant's certified financial statements, nor those of the applicant's parent, are required; and

D) Documents supporting any estimate of revenue from customer accounts purchased or under contract to be purchased from another AGS.

5) Payment Bond. An applicant using a payment bond or payment bonds shall provide a copy of the following:

A) The payment bonds;

B) The certified financial statements of the applicant or those of the applicant's parent, as applicable;

C) The accountant's report for the certified financial statements of the applicant or those of the applicant's parent, as applicable; and

D) Documents supporting any estimate of revenue from customer accounts purchased or under contract to be purchased from another AGS.

6) Letter of Credit. The letter of credit shall be irrevocable and issued by a financial institution with a long-term obligation rating of A- or higher from Standard & Poor's or its successor, A3 or higher from Moody's Investors Service or its successor, or A- or higher from Fitch Ratings or its successor. The applicant shall provide a copy of the following:

A) The letter of credit;

B) The ratings agency report that presents the long-term obligation rating of the financial institution extending the credit;

C) The certified financial statements of the applicant or those of the applicant's parent, as applicable;

D) The accountant's report for the certified financial statements of the applicant or those of the applicant's parent, as applicable; and

E) Documents supporting any estimate of revenue from customer accounts purchased or under contact to be purchased from another AGS.

e) The applicant certifies that it will offer to reimburse its Illinois residential and small commercial customers for the additional costs those customers incur to acquire natural gas as a result of the applicant's failure to comply with a contractual obligation to supply such energy. The applicant's prospective obligation to reimburse Illinois residential and small commercial customers shall be covered by an unconditional guarantee or payment bond. Any dollar limitation on the unconditional guarantee or payment bond shall equal not less than an estimate of the maximum monthly number of Mcf of natural gas the applicant expects to schedule over the next 12 months times the 12-month average of the "Average City Gate Price, by State" for Illinois, as disclosed for the most recent 12-month period in the Energy Information Administration's (EIA) "Natural Gas Monthly". The most recent 12 months of data is available on the EIA's internet website (www.eia.doe.gov). The Average City Gate Price used shall be from not more than 28 days prior to the date of the application. The unconditional guarantee or payment bond shall be valid for a period of not less than one year.

1) Unconditional Guarantee. The guarantor shall be an affiliate of the applicant that maintains at least one of the following short-term credit ratings: A-2 or higher from Standard & Poor's or its successor, P-2 or higher from Moody's Investors Service or its successor, or F-2 or higher from Fitch Ratings or its successor; or at least one of the following long-term credit ratings: BBB- or higher from Standard & Poor's or its successor, Baa3 or higher from Moody's Investors Service or its successor, or BBB- or higher from Fitch Ratings or its successor. The applicant shall provide a copy of the following:

A) The ratings agency reports that present the ratings of the affiliate that is the guarantor;

B) The unconditional guarantee; and

C) A good faith estimate of the maximum daily amount of natural gas in dekatherms the applicant will schedule during the remainder of the current calendar year.

2) Payment Bond. The payment bond or payment bonds shall be issued by a qualifying surety authorized to transact business in the State of Illinois or by a surety whose Best's rating is A- or better and whose Best's financial size category is VII or larger, and whose contract of insurance is issued pursuant to Section 445 or 445a of the Illinois Insurance Code [215 ILCS 5/445 or 445a] and countersigned by the Surplus Line Association of Illinois or its successor. The applicant shall provide a copy of the following:

A) The payment bonds or the contract of insurance with the countersignature of the Surplus Line Association of Illinois or its successor as applicable; and

B) A good faith estimate of the maximum daily amount of natural gas in dekatherms the applicant will schedule during the remainder of the current calendar year for residential and small commercial customers.

f) The applicant maintains a line of credit or revolving credit agreement.

1) The line of credit or revolving credit agreement must be from a financial institution with a long-term obligation rating of A- or higher from Standard & Poor's or its successor, A3 or higher from Moody's Investors Service or its successor, or A- or higher from Fitch Ratings or its successor.

2) The amount of the line of credit or revolving credit agreement shall be no less than the greater of $500,000 or 5% of the amount of the applicant's revenue for the most recently completed fiscal year adjusted for any amount of revenue expected from customer accounts purchased or under contract to be purchased from another AGS. The amount of revenue for the applicant's most recently completed fiscal year must appear in the applicant's certified financial statements, or those of the applicant's parent, that have received an accountant's report that certifies those financial statements to be free of material misstatement. If the applicant is using the certified financial statements of its parent, the amount of credit available under the borrowing agreement shall be determined using the applicable revenue amount from the segment information section of the certified financial statements of the applicant's parent.

A) If the applicant is listed separately in the segment information section, the applicant's revenue shall be used.

B) If the segment information section is broken down by operation, or other means, the revenue for the entire segment of which the applicant is part shall be used, unless a certified breakdown of the segment by company is provided.

3) The line of credit or revolving credit agreement shall be valid for a period of not less than one year.

4) The applicant shall provide a copy of the following:

A) The line of credit or revolving credit agreement;

B) The ratings agency report that presents the long-term obligation rating of the financial institution extending the credit;

C) The applicant's certified financial statements, or those of the applicant's parent, as applicable;

D) The accountant's report for the applicant's certified financial statements, or those of the applicant's parent, as applicable; and

E) Documents supporting any estimate of revenue from customer accounts purchased or under contract to be purchased from another AGS.

g) The applicant earns 12 points on the financial ratios set forth in subsection (g)(1):

1) Financial Ratios

A) Pre-Tax Interest Coverage (rounded to the nearest 0.1)

4.4 or above: 5 points

3.9 to 4.3: 4 points

3.4 to 3.8: 3 points

2.9 to 3.3: 2 points

2.4 to 2.8: 1 point

2.3 or below: 0 points

B) Funds from Operations Interest Coverage (rounded to the nearest 0.1)

4.9 or above: 5 points

4.4 to 4.8: 4 points

3.9 to 4.3: 3 points

3.4 to 3.8: 2 points

2.9 to 3.3: 1 point

2.8 or below: 0 points

C) Funds from Operations to Average Total Debt (rounded to the nearest 1%)

38% or above: 5 points

33% to 37%: 4 points

28% to 32%: 3 points

23% to 27%: 2 points

18% to 22%: 1 point

17% or below: 0 points

D) Total Debt to Total Capitalization (rounded to the nearest 1%)

50% or below: 5 points

51% to 53%: 4 points

54% to 56%: 3 points

57% to 59%: 2 points

60% to 62%: 1 point

63% or above: 0 points

2) The applicant shall provide the following:

A) The applicant's certified financial statements for its most recently completed fiscal year;

B) The accountant's report for the applicant's certified financial statements; and

C) A schedule showing the calculation of each financial ratio with a reference to the applicant's certified financial statements provided for each input of the calculation.

(Source: Amended at 28 Ill. Reg. 833, effective January 1, 2004)