# PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Item #15 (Rev. 1)**
**Agenda ID #23565**
**ENERGY DIVISION** **RESOLUTION E-5406**
**July 24, 2025**

## R E S O L U T I O N

Resolution E-5406. Addressing the financial monitoring and reporting requirements that were adopted in Decision 24-04-009.

Advice Letters:

Apple Valley Choice Energy 15-E
Ava Community Energy Authority 48-E
Central Coast Community Energy 41-E
City of Palmdale 6-E
Clean Energy Alliance 9-E
Clean Power Alliance 27-E
CleanPowerSF 29-E
Desert Community Energy 10-E
Lancaster Choice Energy 28-E
Marin Clean Energy 78-E
Orange County Power Authority 9-E
Peninsula Clean Energy Auth. 34-E
Pico Rivera Innovative 23-E
Pioneer Community Energy 19-E
Pomona Choice Energy 10-E
Rancho Mirage 13-E
Redwood Coast Energy 21-E
San Diego Community Power 20-E
San Jacinto Power 21-E
San Jose Clean Energy 35-E
Santa Barbara Clean Energy 6-E
Silicon Valley Clean 32-E
Sonoma Clean Power 23-E
Valley Clean Energy Alliance 18-E

PROPOSED OUTCOME:

- This Resolution approves, in part, California Community Choice Association's (CalCCA's) Consolidated Advice Letter which seeks approval of Financial Monitoring and Reporting Guidelines submitted to aid in the implementation of Decision (D.)24-04-009 (Decision).

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Resolution.

ESTIMATED COST:

- There are no costs associated with this Resolution.

By CalCCA Consolidated Advice Letter, Filed on July 1, 2024 on behalf of the Community Choice Aggregators at caption.

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## SUMMARY

This Resolution approves, in part, CalCCA's Consolidated Advice Letter (AL), which it has filed on behalf of the Community Choice Aggregators (CCAs) at caption, which it represents. The AL addresses the implementation of financial monitoring and reporting requirements adopted in Phase 1 of the Decision, a Provider of Last Resort (POLR) proceeding.

CalCCA submitted this AL on July 1, 2024, to provide clarity to the Joint CCAs on the required Tier 2 financial reporting triggers adopted in the Decision and ordered by Ordering Paragraph (OP) 7.

This Resolution is not required because CalCCA submitted this Consolidated AL as a Tier 2 AL, but because the requests within this Consolidated AL and the subsequent Protest present opposed and substantial interpretations of the Decision that are more appropriate for disposition by a Resolution rather than the AL process.

## BACKGROUND

Decision 24-04-009 considered whether updates were needed to the existing POLR framework, cost recovery mechanisms, and processes governing POLR service during a mass involuntary return of customers. The Decision adopted several updates including establishing a financial monitoring process to provide early notice of a potential mass involuntary return of CCA customers to POLR service. These changes were intended to promote continuity of electric service and prevent cost shifts between customers during a mass involuntary return of CCA or ESP customers to POLR service.[1]

The Decision established a two-tiered reporting structure, requiring all CCAs to comply with a Tier 1 requirement to provide the Commission's Energy Division (ED) with their most recent audited financial information once per year. OP 6 required CCAs to provide ED with a copy of their most recent audited financial information in January or July of every year, whichever comes earlier relative to the availability of the audited financial statement.

The more stringent Tier 2 reporting requirements apply to CCAs that meet any of the following conditions:

- Receives a credit rating below BBB-/Baa3 from S&P & Moody's;

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D. 24-04-009 at pg. 2

- Days Liquidity on Hand (DLOH) (cash reserves) is less than 45 days, and Adjusted Debt Service Coverage Ratio (cash plus lines of credit) is less than 1.0;
- Cash reserves for the CCA fall below 5% of annual expenses;
- The CCA defaults on one or more procurement contracts required to meet RA requirements or to the CAISO scheduling coordinator due to non-payment; or
- The CCA becomes insolvent or files for bankruptcy, or the CCA has a reasonable expectation that either event will occur.

OP 7 states, "A Community Choice Aggregator, upon meeting any of the Tier 2 financial triggers identified in this [D]ecision, shall be subject to the additional reporting requirements and obligations as identified in this [D]ecision.[2]"

**Consolidated AL (July 1, 2024)**

CalCCA filed Consolidated AL on July 1, 2024 on behalf of the CCAs it represents,[3] in response to OP 7 to provide clarification of the Decision. To this end, the AL submitted a "Financial Monitoring Guidance Document" (Guidance Document) for approval, to clarify certain reporting requirements that were ordered in the Decision, including:

- Tier 2 reporting conditions and an explanation of each condition,
- how and when CCAs must report the occurrence of a Tier 2 condition,
- when a CCA may cease a previously triggered Tier 2 report,
- how a CCA requests confidential treatment of market sensitive information reported to ED, and
- the enforcement mechanism used to ensure that CCAs report to the ED on time in accordance with the applicable deadlines.

[2] D.24-04-009, p. 112.

[3] Consolidated AL 15-E is a consolidated AL on behalf of these CCAs: Apple Valley Choice Energy 15-E, Ava Community Energy 48-E, Central Coast Community Energy 41-E, Clean Energy Alliance 9-E, Clean Power Alliance 27-E, CleanPowerSF 29-E, Desert Community Energy 10-E, Energy for Palmdale's Independent Choice 6-E, Lancaster Energy 28-E, Marin Clean Energy 78-E, Orange County Power Authority 9-E, Peninsula Clean Energy 34-E, Pico Rivera Innovative Municipal Energy 23-E, Pioneer Community Energy 19-E, Pomona Choice Energy 10-E, Rancho Mirage Energy Authority 13-E, Redwood Coast Energy Authority 21-E, San Diego Community Power 20-E, San Jacinto Power 21-E, San Jose Clean Energy 35-E, Santa Barbara Clean Energy 6-E, Silicon Valley Clean Energy 32-E, Sonoma Clean Power 23-E, and Valley Clean Energy 18-E.

The Decision adopted a series of reporting conditions. CalCCA resubmitted the same list in a table format with CalCCA's corresponding explanation. CalCCA's table is reproduced below.

**Table 1: Tier-Two Reporting Conditions**

| Condition | Explanation |
|---|---|
| The CCA receives a credit rating below BBB-/Baa3 from S&P & Moody's | This condition applies only to CCAs who are downgraded from an investment grade rating to a noninvestment grade rating. This condition does not require all CCAs to obtain a credit rating. |
| Days Liquidity on Hand (DLOH) is less than 45 days<br><br>*Note: this condition triggers Tier 2 reporting only if the Adjusted DSCR is trigger is also met.* | DLOH is defined as a CCA's available unrestricted cash and investments and eligible unused bank lines of credit, credit agreements, and capacity under commercial paper programs, multiplied by 365. This amount shall be then divided by the total of the last twelve months of the CCA's operating and maintenance expenses, excluding depreciation and amortization. |
| Adjusted Debt Service Coverage Ratio (DSCR) is less than 1.0<br><br>*Note: this condition triggers Tier 2 reporting only if the DLOH trigger is also met.* | Adjusted DSCR is defined as Numerator: For the last twelve months, recurring revenue plus interest income plus withdrawals from a Rate Stabilization Fund, minus recurring cash operating expenses and General Fund Transfers over the prior twelve-month period (where recurring revenue and recurring expenses exclude special, one-time items, and annual operating expenses exclude depreciation and amortization expenses). Denominator: Aggregate debt service over the prior twelve-month period (i.e., principal, interest, and fees, as applicable, associated with the debt). |

| | |
|---|---|
| Cash reserves for the CCA fall below 5 percent of annual expenses | Cash reserves are defined as cash, cash equivalents, short-term investments, and unuse credit facilities.<br>The measure of cash reserves must be directly tied to the CCA. It should not consider a city's general fund cash reserves.<br>Where "annual expenses" are defined as the last twelve months of the CCA's operating and maintenance expenses, excluding depreciation and amortization. |
| The CCA defaults on one or more procurement contracts required to meet RA requirements due to non-payment | This condition is specific to the occurrence of an event of default for buyer non-payment after opportunities for disputes and cures have been exhausted as provided within the contract. |
| The CCA defaults to its CAISO scheduling coordinator due to non-payment | N/A |
| The CCA becomes insolvent or files for bankruptcy, or the CCA has a reasonable expectation that either event will occur | N/A |

CalCCA's AL also modified the reporting requirements to specify that the letter sent to the Director of ED should be a confidential letter sent within 10 business days rather than calendar days.

The 10-day limit affects two of the reporting triggers – the requirement that DLOH of less than 45 days and DSCR (Debt Service Coverage Ratio) of less than 1.0 must both be reported to the CPUC within 10 days of occurrence. The Joint CCAs note in the Guidance Document that such financial statements (unaudited) might not be available until up to 60 days after the end of the month in which the trigger condition occurs (i.e., the 60-day period would start on the last day of the relevant month rather than on the date the trigger event actually occurs).

**NOTICE**

Notice of the Consolidated AL was made by publication in the Commission's Daily Calendar. CalCCA states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

**PROTESTS**

This Consolidated AL has been protested. The "Joint IOUs" (Pacific Gas and Electricity Company (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Edison (SCE)) filed a timely protest of this AL on July 22, 2024. CalCCA responded to the protests of the Joint IOUs on July 29, 2024.

In their Protest, the Joint IOUs took issue with the basis for the AL itself, as it was not ordered by the Decision. Also, the Joint IOUs protested the following changes made by CalCCA, allegedly to provide clarity, all of which the Joint IOUs say violate the Decision by seeking modifications in an AL:

1. The calculation of Days Liquidity on Hand (DLOH),
2. The timeline for trigger letters notifying ED that a trigger has been meet ("Trigger Letter"),
3. The confidential nature of the letter to ED, and
4. Modifying the number of required triggers and the required meeting with ED after certain financial triggers are triggered.

First, the Joint IOUs argued that CalCCA has modified the Decision's definition of DLOH, by replacing "unused lines of credit" with "letters of credit" and also adding "credit agreements" to include in the list of eligible sources of funding used in making the DLOH calculation. The Joint IOUs argued that amending the definition of DLOH to include other credit agreements as part of the CCA's liquidity calculation was inappropriate because they are often tied to specific purposes such as capital expenditures, project financing, or other designated uses and may include restrictions and cause delays due to administrative processes. As a result, they do not represent a flexible or readily available source of liquidity that can be used for general operational needs. CalCCA also modified the DLOH requirement from the Decision to the following: "The measure of cash reserves must be directly tied to the CCA. It **should not** consider a city's general fund cash reserves."[4] The original read "…**shall not**…" The

[4] See CalCCA Consolidated Advice Letter, filed July 1, 2024, Appendix A at p. 2

IOUs argued that the expansion in eligible sources could greatly change the integrity of the DLOH score.

Second, the Joint IOUs stated that changing the time within which ED must receive notification of a Tier 2 trigger from within 10 days to within 10 *business* days of *the acceptance of a financial statement* has the effect of extending the time of financial review and acceptance *before* ED is notified, and that this time is potentially crucial in the event of a mass involuntary return of customers to the POLR.

Third, they stated that the AL modifies the Decision to say that the trigger letter must be confidential; the AL predetermines its status and creates an exception in the pre-existing ED rules on the treatment of communications.

Fourth, the Joint IOUs stated that CalCCA modified the requirement for a CCA to meet with ED: the Decision requires the CCA to meet with ED after the occurrence of a trigger event. The proposed modification would have the CCA meet with ED after the occurrence of a trigger event *and* the presentation of the notification letter to ED. The Decision had not required the letter to be presented to ED before meetings with ED could take place.

**Consolidated Reply to Joint IOU's Protest**

CalCCA filed a consolidated Reply to the Joint IOUs Protest on July 29, 2024, with a Revised Financial Monitoring Guidance Document (Guidance Document) attached.

In the Reply, CalCCA responded to the assertion that the AL was not ordered by the Decision by asserting that the AL does not challenge the Decision, but only seeks clarification and was filed after consultation with ED.

With regards to the calculation of the DLOH, CalCCA modified the cash reserves explanation to state that the CCA should not consider a city's general fund cash reserves. CalCCA argued that CCAs should be able to apply credit agreements and maintained that the Commission's acceptance of both Letters of Credit and surety bonds to satisfy the Financial Security Requirement (FSR) is proof of intent to not limit the financial instruments accessible to CCAs. CalCCA further argued that PG&E is incorrect to assert that credit agreements are an inflexible and not readily available source of credit.

Regarding its the 10 day timeline to file a trigger letter, CalCCA argued that clarifying the 10 requirement to be "business days" is necessary to give sufficient time to respond during and following holiday periods and weekends. Furthermore, DLOH, Debt Service Coverage ratio, and cash reserves assessments require calculations that rely on financial data that do not become available until the end of a given reporting period and are then reviewed as part of unaudited financial statements for the reporting period. The CCAs can only calculate these conditions after the financial data becomes available at the end of a given reporting period, like a financial statement at the end of the month.

CalCCA removed all references to confidentiality which were not in the Decision.

Finally, regarding the proposed change to send the notification letter to ED prior to meeting with the CCA, CalCCA maintained that it does not make sense for ED to meet until after the letter is sent.

## DISCUSSION

The Commission has reviewed the AL, the Protest and Reply, and finds that aspects of the Joint CCA Consolidated AL are reasonable interpretations of D.24-04-009, while other aspects of the AL either violate the intent of D.24-04-009 or violate Commission Rules of Practice and Procedure.

### Authorization to File Advice Letter

CalCCA filed the AL to provide clarity on how its members intend to implement the requirements of D.24-04-009. While D.24-04-009 did not direct CCAs to make an advice letter filing, GO 96-B does not preclude them from doing so, particularly where, as here, the filing is made pursuant to a Commission decision, provides transparency, and the opportunity for party input. The Commission rejects the Joint IOUs' first protest.

### Calculation of Days Liquidity on Hand

The Decision defines DLOH to include unrestricted cash and investments, eligible unused lines of credit and capacity under commercial paper programs. CalCCA's guidance replaced "lines of credit" with "letters or credit" and also added the term "credit agreements", which could include other kinds of credit that were not considered in the Decision. For instance, the Financial Security Agreement instrument would not

apply to the DLOH because it only applies to the condition of involuntary return of customers to the POLR and must remain available for that purpose. Therefore, the modified rule in the guidance would be a substantive revision to the Decision, prohibited by G.O. 96-B. If further clarification of applicable credit agreements for use in the DLOH is necessary, it would require a Petition for Modification, as there is insufficient record to do so here.

**Trigger Letter Timeline**

The Decision directs that a CCA must report a trigger event via a letter to the Director of ED within 10 days of the occurrence of the condition. The 10-day limit affects two of the reporting triggers, DLOH of less than 45 days and DSCR (Debt Service Coverage Ratio) of less than 1.0.

The Reporting Guidelines' approach to the computation of time, interpreting D.24-04-009's use of "days" as "business days" is reasonable. CalCCA has shown that a 10 calendar days requirement would be unworkable, and the use of business days is consistent with D.24-04-009.

Regarding the calculation of DLOH and Debt Service Coverage Ratio, ED recognizes the challenge for a CCA to calculate a financial condition until the financial statements have been issued. However, it seems necessary and reasonable that a CCA would more frequently review their financial positions if conditions are nearing a potential trigger. Therefore, the CCA should send notification within 10 business days of the time they could have reasonably become aware of the occurrence or as soon as the financial statement is generated, whichever is sooner. No distinction is relevant here between audited and unaudited financial statements, nor whether they are annual, quarterly or monthly.

**Confidentiality of Trigger Letter**

CalCCA's revised Reporting Guidelines eliminate confidentiality from the letter and confirm the direction of the Decision which says that "If a CCA believes that its letter notifying ED of a triggered Tier 2 condition, or any of its attendant reporting, is market sensitive, the CCA should follow regular Commission process for securing confidential treatment." Thus, the IOU's protest has been resolved. We note, however, that in the event of a trigger event, it may be necessary for ED to make the POLR aware of the fact

of a potential return of customers to the POLR if the threat of a mass involuntary (and unplanned) return to POLR appears credible. ED Staff may use its discretion to determine whether a potential return appears significant and necessitates informing the POLR.

**Meeting with Energy Division Staff**

The Decision did not specify whether the letter should be sent to ED before meetings with ED could take place. ED will not require the CCA to meet with staff prior to submission of the letter.

## COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice.

The Joint Utilities dispute the resolution's interpretation of 10 days to mean calendar days, stating that it would violate CPUC Rules of Practice and Procedure (Rule 1.15) and General Order (G.O.) 96-B.

The Joint IOUs argue that CalCCA's interpretation of the timeline for the DLOH and cash reserves triggers deprives them of time needed to prepare for the return of customers, as it could delay notification for months rather than 10 calendar days. They suggest that this Resolution clarify that unaudited monthly statements are sufficient to trigger a notice and that the 10 day notice period begins as soon as the CCA becomes aware of a trigger – even before statements are issued. They also request a CCA's "acceptance of a financial statement" as it relates to the 10 day trigger to be clarified.

Lastly, the Joint Utilities argue that the footnote that allows a 60 day period for the production of financial statements should be shortened to 15 business days. CalCCA responded to this point, arguing that CCAs comply with accounting and financial standards set by the Government Accounting Standards Board (GASB) and the need to carry out collections, process and validate customer billing, supplier invoices and CAISO charge data are all justifications for its proposed 60 day period.

We find that the Commission has the authority, via resolution, to define the trigger deadline as 10 calendar days. We agree that the CCA should notify the CPUC within

10 days of the CCA becoming aware or preparing financial statements, whichever is earlier. To clarify, CCAs should at a minimum, produce unaudited financial statements every 60 days, so this should be the longest potential delay between the time that trigger occurs and the CCA becomes aware of a trigger.

## FINDINGS AND CONCLUSIONS

1. The Advice Letter has been validly filed.
2. Modification of the definition of *eligible unused bank lines of credit* to *letters of credit and credit agreements* modifies the Decision and could expand the types of credit included in the DLOH. This would be a substantive revision to the Commission decision, prohibited by G.O. 96-B.
3. It is reasonable and within the Commission's authority to interpret the requirement that CCAs report any Tier 2 trigger event within 10 days, as 10 business days.
4. A trigger event first occurs when either CCA staff first becomes aware of it or the financial statement has been generated, whichever is sooner.
5. The triggering financial statement does not have to be audited to prompt a trigger. The statement may also be annual, quarterly or monthly.
6. CCAs should, at a minimum, produce unaudited financial statements every 60 days.
7. CCAs are not required to meet with Commission staff prior to submission of the trigger letter.

## THEREFORE IT IS ORDERED THAT:

1. CalCCA's Consolidated AL is partially approved
2. The change of line of credit to letter of credit and the inclusion of the words "credit agreement" in the calculation of DLOH is denied.
3. The interpretation of days to mean "business days" is approved.
4. CalCCA shall resubmit the revised guidance document as a Tier 1 advice letter for approval.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 24, 2025; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added upon adoption of the resolution

Dated July 24, 2025, at San Francisco, California.