



July 1, 2024

VIA ELECTRONIC MAIL

Public Utilities Commission of the State of California
Energy Division
Attention: Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

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

RE: Joint CCAs' Community Choice Aggregator Financial Monitoring and Reporting Guidelines Tier 2 Advice Letter Submitted to Aid in the Implementation of Ordering Paragraph 7 of Decision 24-04-009

California Community Choice Association (CalCCA) submits this Tier 2 Advice Letter (Advice Letter) on behalf of Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power,

San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy¹ (collectively, the Joint CCAs). This Advice Letter is submitted to aid Energy Division staff in the implementation of Ordering Paragraph (OP) 7 of Decision (D.)24-04-009² (the Decision) as well as provide clarity to the Joint CCAs on required reporting triggers. The Joint CCAs request the California Public Utilities Commission's (Commission) approval of the CCA Financial Monitoring and Reporting Guidelines document attached to this Advice Letter as Appendix A.

I. TIER DESIGNATION

The Joint CCAs hereby submit this Advice Letter with a Tier 2 designation.

II. EFFECTIVE DATE

This Tier 2 Advice Letter will become effective July 31, 2024, the 30th calendar day after the date submitted.

III. BACKGROUND

The Commission opened the Provider of Last Resort (POLR) proceeding, Rulemaking (R.) 21-03-011, on March 18, 2021, to implement Senate Bill (SB) 520 (Hertzberg 2019). SB 520 directed the Commission to develop rules and regulations for a POLR should a community choice aggregator (CCA) or Energy Service Provider cease load service. SB 520 identified the investor-owned utilities (IOUs) as the initial POLRs and ordered the Commission to ensure cost recovery, continuity of service and reliability, and continuation of California's clean energy goals.

R.21-03-011 considered, among other things, financial monitoring and reporting requirements that would provide the Commission with advance notice of CCAs' financial positions that may indicate a potential customer return to the POLR. D.24-04-009 adopted financial monitoring and reporting requirements aimed at "promot[ing] greater situational awareness for any CCA that is at risk of defaulting on its procurement obligations, and which may lead to the involuntary return of customers to POLR service."³

D.24-04-009 adopted two tiers of financial monitoring and reporting requirements for CCAs. Under the first tier, all CCAs, regardless of their financial standing or years of operation, are required to provide the Energy Division with a copy of their most recent audited financial information. The audited financial statement shall be provided once a year, in January or July, whichever comes earlier relative to the availability of the audited financial statement. Under the

¹ The Joint CCAs have provided CalCCA with authority to submit this Advice Letter on their behalf.

² D.24-04-009, *Decision Implementing Senate Bill 520 Regarding Standards for Provider of Last Resort*, R.21-03-011 (Apr. 18, 2024):

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M529/K986/529986322.PDF>.

³ *Id.* at 73.

second tier, CCAs must report additional financial information if they meet certain conditions indicative of financial strain.

IV. PURPOSE

Following the adoption of D.24-04-009, CalCCA files this Advice Letter supplementing D.24-04-009 with additional guidance on (1) how and when to evaluate the conditions for two-tier financial reporting, and (2) reported financial information for tier-two reporting. CalCCA files this Tier 2 Advice Letter on behalf of the Joint CCAs to request approval of the CCA Financial Monitoring and Reporting Guidelines document attached to this Advice Letter as Appendix A. CalCCA also provides a description of the Appendix here:

- Section 1 of Appendix A documents the Tier 2 reporting conditions and an explanation of each condition. Unless specified, Tier 2 reporting applies to CCAs that meet any one of the conditions.
- Section 2 of Appendix A documents how and when CCAs must report the occurrence of a Tier 2 condition. Depending on the condition, CCAs must report within 10 business days of the occurrence or within 10 days of the CCA's acceptance of its financial statement. It also documents its engagement with Energy Division and information that it must report to Energy Division upon meeting a Tier 2 condition.
- Section 3 discusses when a CCA may cease a previously triggered Tier 2 report.
- Section 4 documents how a CCA requests confidential treatment of market sensitive information reported to Energy Division.
- Section 5 of Appendix A describes the enforcement mechanism used to ensure that CCAs report to the Energy Division on time in accordance with the deadlines outlined in Section 2.

V. PROTEST

Anyone wishing to protest this Advice Letter may do so only by electronic mail. Protests must be received no later than 20 days after the date of this Advice Letter. Protests should be submitted to the Commission Energy Division at:

E-mail: EDTariffUnit@cpuc.ca.gov.

In addition, protests and all other correspondence regarding this Advice Letter should also be sent by electronic mail to the attention of:

California Community Choice Association

Attn: Evelyn Kahl

General Counsel and Director of Policy

regulatory@cal-cca.org

California Community Choice Association

Attn: Eric Little
Director of Regulatory Affairs
eric@cal-cca.org

California Community Choice Association

Attn: Lauren Carr
Senior Market Policy Analyst
lauren@cal-cca.org

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

VI. NOTICE

In accordance with G.O. 96-B, Section IV, a copy of this Advice Letter is being sent by electronic mail to each party of record in the official service list for R.21-03-011. For changes to this service list, please contact the Commission's Process Office at (415) 703-2021, or by electronic mail at Process_Office@cpuc.ca.gov.

VII. CORRESPONDENCE

All questions concerning this Advice Letter should be directed to Evelyn Kahl at (510) 980-9459, or by electronic mail at: regulatory@cal-cca.org.

VIII. CONCLUSION

The Joint CCAs respectfully request that the Commission approve the CCA Financial Monitoring and Reporting Guidelines document attached to this Advice Letter as Appendix A.

Respectfully,

CALIFORNIA COMMUNITY CHOICE ASSOCIATION



Evelyn Kahl
General Counsel and Director of Policy

cc via email:

Energy Division Tariff Unit (edtariffunit@cpuc.ca.gov)
Service List: R.21-03-011

**APPENDIX A
TO
JOINT CCAS' COMMUNITY CHOICE AGGREGATOR FINANCIAL MONITORING
AND REPORTING GUIDELINES TIER 2 ADVICE LETTER SUBMITTED TO AID IN
THE IMPLEMENTATION OF ORDERING PARAGRAPH 7 OF DECISION 24-04-009**

CCA FINANCIAL MONITORING AND REPORTING GUIDELINES

**COMMUNITY CHOICE AGGREGATORS (CCA)
FINANCIAL MONITORING AND REPORTING GUIDELINES
UPDATED JULY 1, 2024**

Decision (D.) 24-04-009 adopted two tiers of financial monitoring and reporting requirements for CCAs. Under the first tier, all CCAs, regardless of their financial standing or years of operation, are required to provide the Energy Division with a copy of their most recent audited financial information. The audited financial statement shall be provided once a year, in January or July, whichever comes earlier relative to the availability of the audited financial statement. Under the second tier, CCAs must report additional financial information if they meet certain conditions indicative of financial strain. This guideline document supplements D.24-04-009 with additional guidance on (1) how and when to evaluate the conditions for tier-two financial reporting, and (2) reported financial information for tier-two reporting.

1. Conditions that Trigger Tier-Two Financial Reporting

Tier 2 reporting applies to CCAs that meet any of the following conditions in Table 1:

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 <i>Note: this condition triggers Tier 2 reporting only if the Adjusted DSCR trigger is also met.</i>	DLOH is defined as a CCA's available unrestricted cash and investments and eligible unused bank letters of credit, credit agreements, and capacity under commercial paper programs, multiplied by 365. This amount shall then be 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 <i>Note: this condition triggers Tier 2 reporting only if the DLOH trigger is also met.</i>	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 unused credit facilities. The measure of cash reserves must be directly tied to the CCA. It should not consider a city's general fund cash reserves. 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

2. Tier-Two Reporting Requirements

The following conditions must be reported via a confidential letter to the Director of Energy Division within 10 business days of the occurrence:

- The CCA receives a credit rating below BBB-/Baa3 from S&P & Moody's;
- The CCA defaults on one or more procurement contracts required to meet RA requirements due to non-payment;
- The CCA defaults to its CAISO scheduling coordinator due to non-payment; and
- The CCA becomes insolvent or files for bankruptcy, or the CCA has a reasonable expectation that either event will occur.

The following conditions must be reported via a confidential letter to the Director of Energy Division within 10 business days of the CCA's acceptance of a financial statement:¹

- DLOH is less than 45 days and DSCR is less than 1.0; and

¹ CCAs regularly review and update financial statements. Unaudited financial statements should be prepared as soon as practicable and, in any event, within sixty days after the end of each month in which the trigger occurred. If updated financial information is obtained after such submittal, the CCA will provide that update to the Director of the Energy Division to help inform any prior trigger reporting.

- Cash reserves for the CCA fall below 5 percent of annual expenses.

Upon meeting any of the Tier 2 reporting conditions above and submitting the confidential letter to Energy Division, the CCA must meet with Energy Division as requested, up to one meeting per month, and provide the following information:

- Energy and hedging contracts for the next six months with term details;
- Status of all procurement contracts, in particular, those at risk of default;
- Detailed financial information as requested by the Commission including, but not limited to, the CCA's most recent financial statements and DLOH;
- Plan for financial correction and/or market exit.

3. Graduating from Tier-Two Reporting Requirements

A CCA will graduate from the Tier 2 reporting requirements if it does not meet any Tier 2 triggers (except for the insolvency/bankruptcy condition) for six consecutive months.

4. Confidentiality

If a CCA believes that its letter notifying the Energy Division of a triggered Tier 2 condition, or any of its attendant reporting, is market sensitive, the CCA should follow the regular Commission process for securing confidential treatment.

5. Enforcement

A CCA that fails to submit a letter to the Energy Division by the deadlines outlined in Section 2 will incur a penalty of \$1,000 per incident plus \$500 per day for the first ten days the filing was late and \$1,000 for each day thereafter. Commission Staff and the Commission may take any action provided by law to recover unpaid penalties and ensure compliance with applicable statutes and Commission orders, decisions, rules, directions, demands, or requirements.

ADVICE LETTER SUMMARY FORM



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: California Community Choice Association

Utility type:

☒ ELC ☐ GAS ☐ WATER
☐ PLC ☐ HEAT

Contact Person: Evelyn Kahl

Phone #: (510) 980-9459

E-mail: regulatory@cal-cca.org

E-mail Disposition Notice to: regulatory@cal-cca.org

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

July 1, 2024

Advice Letter (AL) #: See Attached

Tier Designation: 2

Subject of AL: Joint CCA's Community Choice Aggregator Financial Monitoring and Reporting Guidelines Tier 2 Advice Letter Submitted to Aid in the Implementation of Ordering Paragraph 7 of Decision 24-04-009

Keywords (choose from CPUC listing):

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? ☐ Yes ☒ No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? ☐ Yes ☒ No

Requested effective date: 7/31/24

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and correspondence regarding this AL are to be sent via email and are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission
Energy Division Tariff Unit Email:
EDTariffUnit@cpuc.ca.gov

Contact Name: Evelyn Kahl
Title: General Counsel and Director of Policy
Utility/Entity Name: California Community Choice Association

Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: regulatory@cal-cca.org

Contact Name: Lauren Carr
Title: Senior Market Policy Analyst
Utility/Entity Name: California Community Choice Association

Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: lauren@cal-cca.org

CPUC
Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Clear Form

ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtailable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	

**ADVICE LETTER SUMMARY ATTACHMENT
ADVICE LETTER NUMBERS**

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