

# Clean Energy Alliance: Regulatory Update

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# Overview

- Provider of Last Resort – Proposed Decision
- Resource Adequacy (Briefly)

# What is Provider of Last Resort?

- A POLR is the utility (or other LSE) that has the obligation to serve all customers.
  - POLRs cannot discriminate between customers; must maintain facilities to provide adequate service.
- Long-standing Commission concept; recently defined in statute via SB 520:
  - An LSE “that the Commission . . . [d]esignates to provide electrical service to any retail customer whose service is transferred to the designated [LSE] because the customer’s [LSE] failed to provide, or denied, service to the customer or otherwise failed to meet its obligations.”
- In practical terms: POLRs are SDG&E, SCE, and PG&E.

# Relevant POLR Issues

- Customer Migration:
  - Involuntary vs. voluntary.
  - One-off vs. mass.
- Financial Security Requirements/Re-Entry Fees:
  - Statute requires protection against cost-shifts in the case of customer migration.
- Key Issue: How does system adapt to mass, involuntary migration from CCA to POLR (i.e. traditional IOU)?

# POLR Proposed Decision

- POLR proceeding initiated to (i) respond to legislative changes of SB 520 and (ii) consider reforms to POLR requirements.
  - Proceeding will remain open for Tracks 2 and 3.
- PD filed March 14, 2024.
- Opening Comments on PD due April 3; Reply Comments on PD due April 8.
- Commission can hear PD on April 18 at the earliest.

# POLR Proposed Decision – Key Points

- PD adopts new minimum Financial Security Requirements:
  - Prior minimum FSR = \$147,000.
  - CEA's minimum FSR obligation will be the greater of either \$147,000 **or** the product of \$0.50 and CEA's customer count.
  - Note: This is minimum FSR; if procurement or administrative costs increase, or IOU revenues decrease, FSR could grow.
- **Practical Takeaway:** CEA's FSR likely to remain at \$147,000 for the now.

# POLR Proposed Decision – Key Points

- PD adopts new minimum Financial Reporting obligations.
- Tier 1:
  - All CCAs must provide most recent audited financial information twice a year, in January and July.
- Tier 2:
  - CCAs at risk of failure must submit information to, and meet with, Energy Division.
  - At risk if: credit rating downgrade; DLOH < 45 days and debt service coverage ratio < 1.0; low cash reserves; procurement default; bankruptcy.
  - ED Consultation: disclose risk condition; provide procurement and detailed financial information.

# Resource Adequacy - Slice of Day

- Significant change to RA program (to say the least!):
  - Compliance is measured based on ability to serve LSE-specific load (plus PRM) in all 24 hours of the CAISO's worst day of the month.
- For now, Flexible RARs remain in place. Local RARs, too.
- Pressure for further delay of SOD is building.
- Proposed Decision expected in May 2024; final decision expected in June 2024.

# QUESTIONS?

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