



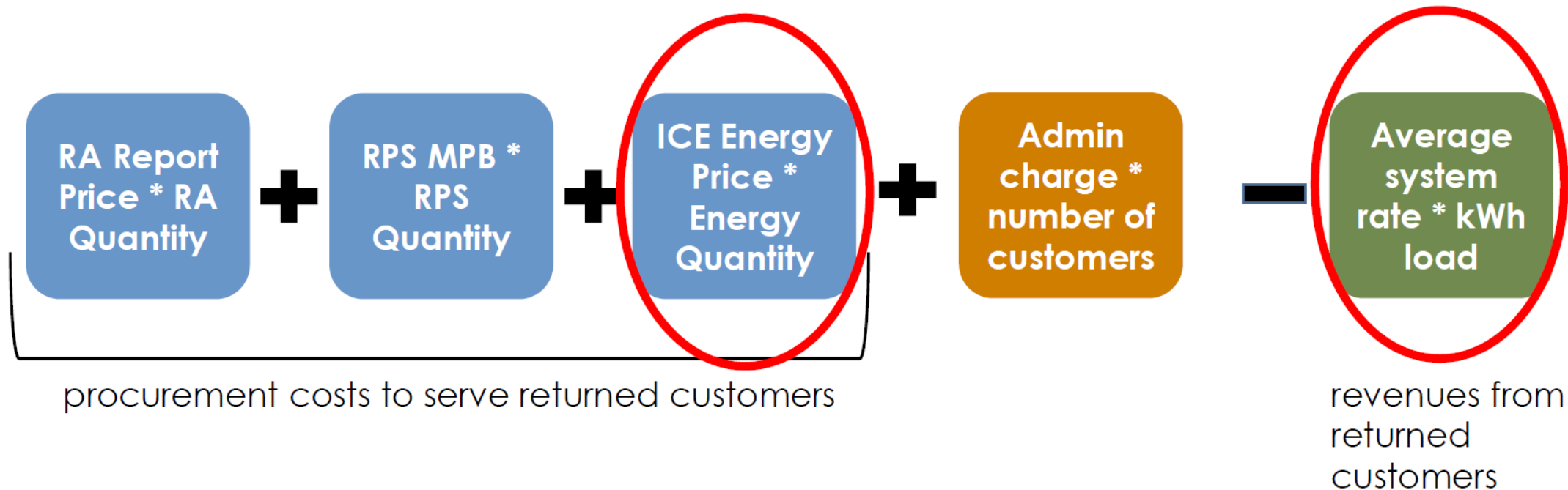
Financial Security Requirement Update

Executive Committee, May 18, 2022



FSR Background

- ⚡ All CCAs are required to post a Financial Security Requirement (FSR) with their IOU/Provider of Last Resort to cover administrative and net procurement costs the IOU would incur for six months if a CCA failed and its customers were involuntarily returned to the IOU
- ⚡ The amount is recalculated every six months using updated power prices; the minimum posting is \$147,000 and has never exceeded that amount



Spring Update (FSR July – Dec 2022)

- ⚡ A historic surge in forward power prices right before SCE calculated the new FSR led to an extreme rise in the FSR amount for CCAs in SCE territory

SCE Advice 4789-E

Total \$ 127 million in required collateral collectively from CCAs by July 1

PG&E Advice 6589-E

\$147,000 minimum required for each CCA

SDG&E Advice 4002-E

\$147,000 minimum required for each CCA

* Some differences among IOU calculations are inherent in (1) varying levels of bundled customer rates, since bundled revenues offset costs in the FSR formula; (2) NP15/SP15 energy price differences; (3) IOU load weighting of ICE prices



CPA Specific Impact

- ⚡ Unless the amount is recalculated using a more favorable methodology, or the Advice Letter is suspended by the CPUC, CPA must post \$97 million by July 1
- ⚡ Posting the FSR as currently calculated potentially introduces several unnecessary risks into an already volatile market

Increased
CCA Financial
Risk and
Vulnerability to
Summer
Conditions

Increased
Vulnerability in
System Stability
for Summer
Conditions

Increased Risk
and
Pressure on
Completing
New Projects



CPA/CalCCA Response – Two-Pronged

Regulatory

- ⚡ Dialogue with CPUC, Energy Division, SCE
- ⚡ Protest Advice Letter
 - Correct errors
 - Use different assumptions
 - Suspend Advice Letter
- ⚡ Address issues in the ongoing POLR Proceeding

Financial

- ⚡ Explore Surety Bond cover (G&A cost – included in Draft Budget) and/or;
- ⚡ Increase Line of Credit with JPM (Interest expense)
- ⚡ Cash/Letter of Credit using existing resources
- ⚡ **Additional June 2 Board meeting agenda item(s) will request one or more authorizations to execute surety bond and/or increase JPM facility should regulatory efforts be unsuccessful**

