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December 8, 2020

California Public Utilities Commission
Energy Division
Attention: Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298CC:

DCE Advice Letter 4-E

RE: DESERT COMMUNITY ENERGY SUBMISSION OF LETTER OF CREDIT IN COMPLIANCE WITH CCA FINANCIAL SECURITY REQUIREMENT

Effective Date: December 8, 2020

Tier Designation: Tier 1 (Compliance)

Purpose:

Pursuant to California Public Utilities Commission (“Commission”) Decision (“D.”) 18-05-022 and Resolution E-5059, Desert Community Energy (“DCE”) hereby submits this Tier 1 Advice Letter and attached Letter of Credit issued by US Bank in the amount of \$147,000, in compliance with the Commission’s Financial Security Requirement (“FSR”) for community choice aggregators (“CCA”).

Background:

Public Utilities Code Section 394.25(e) established consumer protections that require CCAs to post financial security to cover the reentry fees in the event that CCA customers are involuntarily returned to jurisdictional IOU service. Commission Decision (“D.”)18-05-022, determined that Public Utilities Code Section 394.25(e) requires the implementation of both a reentry fee and a corresponding FSR to address the costs in the event of an involuntary return of CCA customers to utility service, and represents the estimated amount that would be required to cover IOU administrative and procurement costs due to the return.¹

¹ D.18-05-022, p. 14; Conclusion of Law 2

D.18-05-022 ordered each CCA to submit a compliance advice letter to the Commission's Energy Division, providing notice of compliance with the FSR and requesting the return of the interim financial security posted with the Commission.² D.18-05-022 determined that letters of credit, surety bonds, or cash held by a third-party are the acceptable instruments to satisfy the FSR.³ D.18-05-022 established the methods for calculating re-entry fees and financial security amounts and established a minimum CCA financial security amount of \$147,000.⁴

On October 9, 2020, the Commission issued Resolution E-5059 directing the CCAs to post new FSR instruments within 60 days. Resolution E-5059 determined that the FSR instrument will govern the rights and obligations of the parties and shall be based on commercially reasonable and accepted terms and conditions.⁵ Under Resolution E-5059, the CCA FSR instrument may only be drawn upon in the event of an involuntary return, or as mutually agreed upon in, or pursuant to, the terms of the FSR instrument, and an IOU may not terminate CCA service without an order of the Commission for failure by a CCA to post its FSR instrument.⁶

Standard for CCA Financial Security Requirement:

As set forth in D.18-05-022, letters of credit, surety bonds, or cash held by a third-party are acceptable instruments to satisfy the FSR.⁷ Under Resolution E-5059, a CCA has complied with the FSR posting requirements when the CCA has demonstrated that the financial instrument has been formed, and the IOU made its obligee, recipient, or equivalent.⁸

Attestation

DCE's FSR instrument complies with the FSR calculation methodology and meets the minimum CCA FSR amount of \$147,000, required by D. 18-05-022 and Resolution E-5059. DCE's FSR instrument may only be drawn upon in the event of an involuntary return, or as mutually agreed upon in or pursuant to the terms of the FSR instrument.

The form and terms of the attached FSR instrument, including the specific conditions under which the FSR is activated, have been mutually agreed upon between DCE and Southern California Edison Company ("SCE"). By submitting this Advice Letter, the undersigned attests that it has formed an FSR Instrument, consisting of a letter of credit, and SCE has been made its obligee, recipient, or equivalent, as directed by the Commission in Resolution E-5059.

Return of Interim Financial Security

² D.18-05-022; Ordering Paragraph 10

³ D.18-05-022; Ordering Paragraph 7.

⁴ D.18-05-022 , p. 16; Ordering Paragraph 9

⁵ Resolution E-5059, p. 26.

⁶ Resolution E-5059, p. 27.

⁷ D.18-05-022, Ordering Paragraph 7

⁸ Resolution E-5059, p. 26

DCE previously posted interim financial security in the amount of \$100,000 with the Commission in compliance with the Commission's interim FSR. Pursuant to Resolution E-5059 and D.18-05-022, the interim financial security posted with the Commission should be returned to the posting CCA when the CCA complies with the financial security requirements as described in Resolution E-5059.⁹ DCE hereby requests that the Energy Division return the interim financial security previously posted with the Commission.

Appendices

Appendix A: Letter of Credit issued by US Bank

Notice

Anyone wishing to protest this advice submission may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice submission. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above). In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Katie Barrows
Desert Community Energy
73-710 Fred Waring Drive, Suite 200
Palm Desert, CA 92260
kbarrows@cvag.org

With a copy to legal counsel:

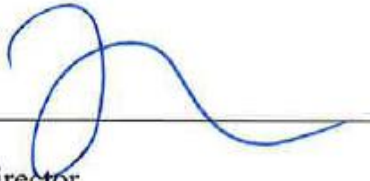
Ryan Baron
Best Best & Krieger LLP
18101 Von Karman Ave., Suite 1000
Irvine, CA 92612
ryan.baron@bbklaw.com

⁹ Resolution E-5059, p. 5

Conclusion

For the reasons set forth herein, DCE respectfully requests that Energy Division accept the attached Letter of Credit in compliance with the Commission's FSR and return DCE's interim FSR previously posted with the Commission.

Respectfully submitted this 8th day of December 2020, at Palm Desert, California.



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