

PURA Evaluation of Electric Supplier Solvency

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Issue

This report describes the Public Utilities Regulatory Authority's (PURA) ability to evaluate a retail electric supplier's fiscal solvency.

Summary

The law prohibits PURA from licensing a retail electric supplier that does not have the technical, managerial, and financial ability to provide electric generation services in the state. As part of the licensing procedure, state statutes and regulations require a supplier to provide certain financial statements and other related documents to PURA. The supplier must also provide these documents as part of a periodic five-year review. PURA reviews the documents to assess the supplier's financial and other capabilities. If it finds any ongoing issues of concern, it issues additional inquiries about the supplier's solvency.

Statutory Authority

[CGS § 16-245](#) requires that all electric suppliers be licensed by PURA. It prohibits PURA from issuing a license unless the supplier shows that it has the technical, managerial, and financial capability to provide electric generation services.

Under the law, a supplier's license application must include, among other things, information about the supplier's corporate structure, including names and financial statements concerning its corporate affiliates. It must also disclose whether the supplier or any of its affiliates have been or are currently under investigation for violating consumer protection laws or regulations in Connecticut or any other state.

The supplier must also provide and maintain a bond or security to ensure its financial responsibility and its supply of electricity under its contracts with its customers.

Regulations

State regulations further specify that a supplier's license application must include the following financial information, among other materials:

1. documentation of the supplier's technical, managerial, and financial capability to provide electric generation services;
2. a summary of any history of bankruptcy, dissolution, merger, or acquisition within the preceding two years;
3. documentation that the supplier maintains the required security;
4. if the supplier is a publicly owned company, copies of its two most recent annual reports to stockholders, annual returns, or summary financial statements, including filings made with the securities and exchange commission such as 10-K or 10-Q and 8-K filings and audited statements; and
5. if the supplier is a privately owned company, copies of its two most recent federal income tax returns ([Conn. Agencies Reg. § 16-245\(b\)](#)).

Once licensed, the suppliers must undergo a periodic review by PURA every five years. For the review suppliers must submit, among other things, documents that include their financial statements and history of any bankruptcies ([Conn. Agencies Reg. § 16-245-2\(f\)](#)).

Under the regulations, a supplier must maintain a security of either \$250,000 or five percent of its estimated gross receipts for its first full year of operation. However, PURA cannot require a security that exceeds \$250,000. A supplier's failure to pay the full amount of taxes or assessments due, or failure to supply electricity or other services under its contracts, may cause payments to be made under the security ([Conn. Agencies Reg. § 16-245-4](#)).

PURA Practice

According to PURA, the authority reviews a supplier's financial statements to gauge its financial capability to operate in the state and to measure trends. PURA reviews any significant onetime charges, increases and decreases to elements of revenues and expenses, and balance sheet working capital. If it notes that the financial statements indicate any ongoing issues of concern, it issues additional inquiries about the supplier's solvency. As required by law, PURA also uses the statements and other documentation to evaluate a supplier's technical and managerial capabilities so that it can fully understand and gauge the supplier's suitability.

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