

**§ 131E-288. Liquidity.**

(a) Each PSO shall have sufficient cash flow to meet its obligations as they become due. In determining the ability of a PSO to meet this requirement, the Division shall consider the following:

- (1) The timeliness of payment;
  - (2) The extent to which the current ratio is maintained at one-to-one or whether there is a change in the current ratio over a period of time; and
  - (3) The availability of outside financial resources.
- (b) The following corresponding remedies apply:
- (1) If the PSO fails to pay obligations as they become due, the Division shall require the PSO to initiate corrective action to pay all overdue obligations.
  - (2) The Division may require the PSO to initiate corrective action if either of the following is evident: (i) the current ratio declines significantly; or (ii) there is a continued downward trend in the current ratio. The corrective action may include a change in the distribution of assets, a reduction of liabilities, or alternative arrangements to secure additional funding requirements to restore the current ratio to one-to-one.
  - (3) If there is a change in the availability of the outside resources, the Division shall require the PSO to obtain funding from alternative financial resources.

(c) Nothing in the foregoing liquidity requirements shall be interpreted to require the PSO to maintain a current ratio of one-to-one if the PSO can demonstrate to the Division that it is able to pay its obligations as they become due and the current ratio maintained by the PSO has neither declined significantly nor is on a continued downward trend. (1998-227, s. 1.)