

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 7, 2015**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: April 16, 2015

TO: Public Utility Commission

FROM: Matt Muldoon 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4292) Requests authority to enter into up to \$100 million in credit support agreements.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric Company's (PGE's or Company's) application to allow the Company to enter into new incremental credit support and reimbursement agreements with banks with general conditions described herein. Such agreements will permit the issuance of up to an additional aggregate \$100 million in letters of credit (LC).

INTRODUCTION:

On April 6, 2015, PGE filed a request for authorization to enter into agreements with commercial banks for the issuance of up to an incremental \$100 million in LC through credit reimbursement agreements. The primary use of the LC is to provide collateral in construction and in market transactions and to provide reclamation guarantees that new PGE plant sites will be appropriately restored after the end of the useful life of the plants. Such standby letters of credit allow PGE to avoid upfront fees associated with full service revolving credit facilities.

Outstanding Authorization:

On February 10, 2015, the Commission authorized PGE to consolidate its \$300 million and \$400 million revolving Credit Agreements into a single comprehensive \$500 million. Under Commission Orders Nos. 13-099, 13-354 and 13-224, PGE also is authorized to enter into agreements with commercial banks for the issuance of up to \$60 million in LC through credit reimbursement agreements. PGE requests authority to enter into

agreements for the issuance of an additional \$100 million in LC, for an aggregate total of \$160 million, as set forth below:

Current Credit Authorization:

<u>Order No. 15-041:</u>	\$500 million	(Docket No. UF 4272(2))
	\$500 million	<i>Comprehensive Revolving Credit</i>
Order No. 13-099	\$25 million	(Docket No. UF 4277)
Order No. 13-354	\$5 Million	(Docket No. UF 4277(1))
<u>Order No. 13-224</u>	\$30 million	(Docket No. UF 4279)
	\$60 million	<i>Restricted to LCs</i>



Proposed Credit Authorization:

<u>Order No. 15-041:</u>	\$500 million	(Docket No. UF 4272(2))
	\$500 million	<i>Comprehensive Revolving Credit</i>
Order No. 13-099	\$25 million	(Docket No. UF 4277)
Order No. 13-354	\$5 Million	(Docket No. UF 4277(1))
Order No. 13-224	\$30 million	(Docket No. UF 4279)
<u>(Pending)</u>	\$100 million	(Docket No. UF 4292)
	\$160 million	<i>Restricted to LCs</i>

Aggregate letters of credit outstanding at any one time under the requested new reimbursement agreements will not exceed \$100 million. Authorized expenses will be limited to customary and usual fees. Total legal expenses including all fees and expenses for aggregated PGE and bank counsel shall not exceed \$150,000. Aggregate annual LC fees shall not exceed 1.25 percent per annum on the daily amount available to be drawn.

Draw Down:

Any draw down under the requested new letters of credit must be reimbursed immediately by PGE upon demand by the issuing bank. If not paid, PGE will accrue interest at the bank's prime lending rate plus two percent until the draw is paid in full. The Company would also incur applicable legal fees.

APPLICABLE LAWS

Generally, under ORS 757.415 (1) a public utility may issue stocks and bonds, notes and other evidences of indebtedness, certificates of beneficial interests in a trust and securities for the following purposes:

- (a) The acquisition of property, or the construction, completion, extension or improvement of its facilities.
- (b) The improvement or maintenance of its service.
- (c) The discharge or lawful refunding of its obligations.
- (d) The reimbursement of money actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or bonds, notes or other evidences of indebtedness, or securities of such public utility, for any of the purposes listed in paragraphs (a) to (c) of this subsection except the maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the Public Utility Commission of Oregon to ascertain the amount of money so expended and the purposes for which such expenditures were made.
- (e) The compliance with terms and conditions of options granted to its employees to purchase its stock, if the commission first finds that such terms and conditions are reasonable and in the public interest.
- (f) The finance or refinance of bondable conservation investment as described in ORS 757.455 * * *.

An order of the Commission is required before a public utility may issue stocks and bonds, notes or other evidences of indebtedness. ORS 757.410. The Commission may grant permission for the amount requested by the public utility or for a lesser amount. The Commission may include in its order such conditions it deems reasonable and necessary. ORS 757.430.

Application requirements and the exhibits that must be attached are set forth in OAR 860-027-0030.

STAFF ANALYSIS:

PGE's filing satisfies the requirements of OAR 860-027-0030. The Commission may grant the request in the full amount requested because it will be used for authorized

purposes, and is appropriate based on the additional considerations and conditions described in further detail below.

Use of Proceeds:

The LCs to be issued will be used for credit support and will not produce any cash proceeds.

Adequate Cost-Effective Guarantees:

In routine market transactions, in guaranteeing construction costs, and in ensuring PGE will meet future plant decommissioning and site restoration obligations, PGE's existing \$500 million revolving credit facility is an excellent financial tool, but it is more expensive than issuing LCs under separate facilities. Because PGE is an established, well-known company locally, less costly standby LCs are adequate to satisfy certain financial guarantees. Staff finds that it is to ratepayers' advantage for the Company to provide "good enough" guarantees at lower cost, when less-expensive guarantees are adequate for certain utility purposes.

LCs issued under the new reimbursement agreements may be issued for up to one year, but may be extended by mutual agreement at any anniversary date. This allows the LCs to guarantee relatively distant future actions like land reclamation at much lower cost than other alternatives.

General Conditions:

Total cost shall in all cases be less than the aggregate expense for like service under the Company's revolving credit facility authorized in Commission Order No. 15-041. Drawn LC interest shall not exceed the issuing bank's published prime rate plus 2 percent. Consolidated reporting requirements described in prior orders in effect continue to apply. The Commission reserves the right to determine the reasonableness of usage and costs in future rate proceedings.

CONCLUSION:

Staff has reviewed PGE's Application as described above and finds PGE's proposal avoids unnecessary costs while continuing to control risk. Staff supports granting the Company's request, on the general conditions listed above. The Company has reviewed and does not disagree with this memo.

Docket No. UF 4292
April 16, 2015
Page 5

PROPOSED COMMISSION MOTION:

PGE's request for authority to enter into up to \$100 million in credit support agreements for letter of credit issuance be approved with the general conditions listed herein.

UF 4292