ORDER NO. 12 279

ENTERED JUL 03 2012

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4272

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Finance Application ($400M Revolving Credit).	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on July 3, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA12

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 3, 2012

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** N/A

DATE: June 25, 2012

TO: Public Utility Commission

FROM: Matt Muldoon

THROUGH: Jason Eisdorfer, Marc Hellman, and Steve Storm

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4272) Requests authority to enter into a revolving credit agreement for a term of up to five years in an amount up to $400 million, and to change compliance reporting.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE's or Company's) application subject to the following conditions and reporting requirements:

1. Sum of borrowing principal and Letters of Credit (LC) under the Revolving Credit Agreement (Credit Agreement) shall not exceed $400 million at any one time.
2. The term of the Credit Agreement will be five years, excluding any extensions.
3. The agent's one-time fee may not exceed 10 basis points (bps) of the amount specified in Condition 1.[1] The annual agent fee may not exceed $30,000.
4. Each participating bank's one-time upfront fee may not exceed 60 bps of that bank's initial commitment amount.
5. A bank annual facility fee may not exceed the following bps of average commitment amounts based on Standard and Poor's (S&P) or Moody's (M) rating on PGE's unsecured debt[2] in effect in the relevant period:

S&P	**M**	**S&P**	**M**	**S&P**	**M**	**S&P**	**M**
A–	A3	BBB+	BAA1	BBB	BAA2	< BBB	< BAA2
35 bps		40 bps		50 bps[3]		65 bps[4]	

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[1] The agent's one-time fee may not exceed $400,000 ($400,000,000 times 0.10 percent).

[2] If PGE is or becomes split-rated, the factor for the higher S&P or M rating will apply.

6. The rate associated with floating-rate borrowing under the Credit Agreement will not exceed the highest of:[5]
   a. Federal Funds Rate plus 50 bps;
   b. Prime Rate; or
   c. One-Month Eurodollar Rate plus 150 bps.
7. The rate associated with fixed-rate borrowing under the Credit Agreement will not exceed the applicable 1-, 2-, 3-, or 6-month maturity Eurodollar Rate plus the following spread based on S&P or Moody's rating on PGE's unsecured debt[6] in effect on the day of borrowing.

S&P	M	S&P	M	S&P	M	S&P	M
A-	A3	BBB+	BAA1	BBB	BAA2	< BBB	< BAA2
150 bps		175 bps		200 bps		250 bps[7]	

8. Authority for the $370 million credit facility authorized in Docket No. UF 4216 by Commission Order No. 05-710 (Existing Credit Facility), as amended by Commission Order No. 10-071, will terminate upon close of the new Credit Agreement.[8]
9. PGE will file a copy of the executed Credit Agreement with the Commission within 30 calendar days after closing, accompanied by a report demonstrating all fees, margins over underlying securities, interest rates, and expenses are consistent with contemporaneous competitive market prices for such credit agreements.
10. The Company will file a single annual report with the Commission within 60 calendar days after the end of each calendar year addressing ALL PGE credit facilities and LC outstanding for any part of that calendar year.[9] Each report will be accompanied by a single electronic MS Excel workbook, with all cell references

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3 This value represents the spread at PGE's current unsecured debt ratings.

4 This is the maximum Commission authorized annual bank facility fee factor.

5 Terms are from the Company's application, and are the same as in PGE's Docket ES12-4 with FERC, which FERC subsequently approved on December 28, 2011.

6 If PGE is or becomes split-rated, the margin for the higher S&P or M rating will apply.

7 This is the maximum Commission authorized fixed rate borrowing margin authorized (the symbol "<" represents "less than").

8 The Existing Credit Facility is otherwise scheduled to expire as follows: $10 million in July of 2012 and the remainder in July of 2013, as indicated on page 5 of the Application.

9 The single report for the 2012 calendar year will address all outstanding credit facilities authorized by Commission Orders issued pursuant to Docket Nos. UF 4272, UF 4268 (Order No. 11-105), and UF 4216 (Order No. 10-071).

and formulas intact and provided on a single memory storage device, and will include quarterly information for the prior year for each outstanding credit facility.

This quarterly information will include: outstanding balances of revolving credit, LCs issued, total interest accrued, and fees paid. Reporting will continue as long as PGE has a credit facility outstanding for any portion of a given calendar year.

11. The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and commissions and expenses incurred for security issuances. The Company has the burden of proof to demonstrate that PGE financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable.

DISCUSSION:

On June 1, 2012, PGE filed an application (Application) under Oregon Revised Statutes (ORS) 757.400 *et seq.*, and Oregon Administrative Rule (OAR) 860-027-0030 requesting authorization to enter into a new Credit Agreement having a term of up to five years in an amount up to $400 million. PGE expects to close the new credit agreement by the end of calendar year 2012. At close, the Company will have approximately the same $700 million in total aggregate credit it has today, as reflected below:

Docket No. UF 4268[10]	$300 million
Docket No. UF 4272	$400 million
	$700 million

Maximum Borrowing:

PGE may draw down on the credit agreement, subject to a minimum borrowing of $1 million. In general, portions of the $400 million requested will not be available for borrowing when used to support other financing activity or to meet other commitments. As an example of such support, each dollar of Commercial Paper (CP) the Company issues requires reservation of a dollar of PGE's aggregate credit facilities, on a one-for-one basis. The reserved portion of the Credit Agreement will not be available to draw down on while the CP is outstanding.

Consistent with Federal Energy Regulatory Commission (FERC) Regulation:

The Commission does not regulate short-term debt (ST Debt).[11] However, addition of the requested new Credit Agreement is consistent with FERC Docket No. ES12-4-000,

[10] Commission Order No. 11-105, entered April 6, 2011, authorized this outstanding credit agreement.

and the FERC letter of December 28, 2011 to PGE, authorizing PGE to issue short-term debt in an aggregate amount not to exceed $700 million between February 7, 2012 and February 6, 2014, in the form of CP and notes, lines of credit from banks and other institutions, and revolving credit facilities.[12]

Extensions Authorized Beyond an Initial Five Year Term:

This Credit Agreement may be extended each year, on a bilateral basis, for one additional year at no additional cost other than a *de minimus* cost for legal documentation. Conversely, if the Credit Agreement is not extended, the remaining life of the credit facility declines on each anniversary. Two examples illustrating how extension of the Credit Agreement works are:

Example 1: PGE does not extend the Credit Agreement at the end of the first year. The Credit Agreement becomes a four-year revolving credit facility.

Example 2: Credit Agreement is bilaterally extended in each of the second, third and fourth years.
The Credit Agreement continues to have a four-year term in the fourth year.

If no other extensions are made, the total aggregate term of the Credit Agreement with application of both examples above is eight years.

Credit Ratings:

Because the requested Credit Agreement guarantees over one-half of PGE's primary financial liquidity, authorization to borrow is not terminated based on any particular credit rating. The Credit Agreement will not require a rating. PGE's unsecured debt ratings from Moody's and Standard and Poor's will affect both bank annual commitment fees and borrowing spreads, each of which is capped for the applicable credit rating as shown in Conditions 5 for the former and 6 and 7 for the latter.

Use of Proceeds:

PGE may issue notes to banks participating in the Credit Agreement for amounts equal to the individual bank's commitment level. The Company may also use the Credit Agreement for any utility purpose authorized by ORS 757.415; e.g., the low cost credit and liquidity enhancement of:

- PGE construction, operations and maintenance (O&M), and other contracts;
- Pollution Control Revenue Bond (PCRB) remarketing;

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11 ORS 757.415(3) and ORS 757.410 do not apply to the issuance or renewal of notes or evidence of indebtedness maturing not more than one year after date of such issue or renewal. Longer maturity debt will be identified herein as long-term debt (LT Debt).

12 PGE provided this information in response to Staff's Data Request No. 1.

- Issuance of CP and other ST Debt;
- Low cost trading collateral in lieu of maintaining cash deposits or balances;
- Replacement of other financing vehicles in adverse market conditions.

Use of this credit facility bolsters access to markets, reduces financing costs, and avoids cash deposits which could be at risk in the event of counterparty bankruptcy.

Expenses:

PGE represents in its Application that fees and margins incurred will be market based costs typical for this type of facility. Staff's recommended Conditions are as or more stringent than those Staff recommended in recent dockets addressing PGE credit facilities, while allowing adequate flexibility for PGE to meet two key goals:

a. Using the lower cost Existing Credit Facility for most of the current year (2012); and

b. Replacing the Existing Credit Facility in a timely fashion, thereby satisfying rating agencies.

The Company is not required to subject the Credit Agreement or related LCs to competitive bidding. However, PGE must still demonstrate in reporting and in subsequent general rate cases that fees and margins incurred reflect competitive contemporaneous market conditions.

Controls and Value Proposition:

Conditions 4, 5, 6, and 7 have not appeared in recent Staff Reports. Staff now includes these conditions for three reasons:

a. These controls align the capabilities and features of the Credit Agreement with the cost dimensions of the Credit Agreement;

b. This Staff Report is intended to be self-contained;[13] and

c. The limits of flexibility allowed the Company are explicitly specified, which will reduce the possibility of reliance on a tacit understanding that may not be universally shared.

Value of Diversity:

Maintaining multiple credit facilities allows the Company to stagger replacement of facilities, which satisfies credit rating agencies with respect to certainty of financial

[13] This Staff Report is intended to document specific aspects and values of the Credit Agreement without necessitating reference to the Company's application and to reduce the likelihood of any necessary errata statements or Order modifications.

liquidity, while affording PGE an opportunity to prolong favorable terms and conditions. Additionally, diverse participation, as itemized in the Company's reporting for Docket Nos. UF 4216 and UF 4268, demonstrates that PGE is not currently reliant on any single bank to ensure the Company's access to this type of financing. While Staff does not specify any diversity condition, Staff's expectation is that PGE will negotiate a replacement for the Existing Credit Facility with comparable if not better diversity characteristics.

Review Summary:

Staff's review of PGE's Application finds the included terms reasonable and beneficial to ratepayers. The Company represents that funds obtained under this replacement Credit Agreement will be used solely for lawful utility purposes. The Company agreed, in a June 21, 2012, email, that the proposed conditions in this Staff Report, while more explicit than those in prior authorizations, will do no harm, and will continue to allow PGE all necessary flexibility to negotiate favorable market fees and margins. The Company also agreed that requiring a competitive showing of cost effective component pricing for the Credit Agreement and related LCs is just and reasonable, absent any requirement for competitive bidding.

Staff's conditions allow the Company to maintain use of the lower cost Existing Credit Facility closer to expiration than the typical one year, thereby reducing costs, while providing a replacement timeline that does not threaten PGE's current credit ratings. Sizing of the Credit Agreement is consistent with FERC assessment of the Company's demonstrated financing needs, but does not address any acceleration of or unplanned capital spending. PGE may arrange for an accordion feature[14] to be included in or added to the Credit Agreement, but must provide justification to and obtain authorization from the Commission prior to execution of any enlargement.

Staff has considered the required granularity and use of data provided in credit facility compliance reports. PGE's proposal to provide the same level of quarterly detail for individual credit facilities, but to submit a consolidated annual report with an attached MS Excel workbook contained on one unit of storage media is more efficacious for all engaged parties, reduces waste, and minimizes distribution of confidential information on both electronic media and paper.

[14] An accordion feature is an optional feature of a credit agreement the Company can purchase giving it the right, but not the obligation, to increase the size of its credit facility. This feature can benefit ratepayers by allowing the Company to more quickly take positive net present value financing actions than would be the case in the absence of such a feature.

PROPOSED COMMISSION MOTION:

PGE's revolving credit agreement for a term of up to five years and in an amount of up to $400 million and changes to compliance reporting be approved, subject to Staff's recommended conditions.

PGE UF 4272 PM Memo