

ORDER NO. 13 379

ENTERED OCT 17 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4272(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

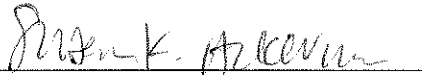
Request to Amend Order No. 12-279 as
Modified by Order No. 12-395.

ORDER

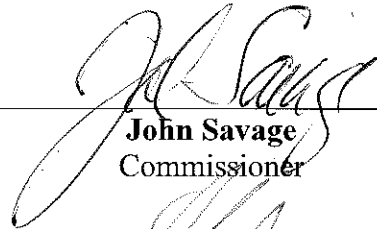
DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at the public meeting on October 15, 2013, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.


Dated this 17th day of Oct., 2013, at Salem, Oregon.



Susan K. Ackerman
Chair



John Savage
Commissioner



Stephen M. Bloom
Commissioner

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.

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ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 15, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: October 3, 2013

TO: Public Utility Commission

FROM: Matt Muldoon   

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4272(1)) Requests up to 15 basis points of additional cost per extension of a 2012 credit agreement.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric Company's (PGE or Company) application to amend Order No. 12-279 as modified by Order No. 12-395 to increase the authorized cost of extending its \$400 million credit facility from de minimus legal expenses to up to 15 basis points and reasonable legal expenses, otherwise subject to the conditions and reporting requirements provided in Order Nos. 12-279 and 12-395.¹

DISCUSSION:

On June 1, 2012, PGE filed an application (Application) under ORS 757.400 *et seq.*, and 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. The Commission Order No. 12-279 granted the Company's request subject to conditions reflecting current and anticipated market conditions. Commission Order No. 12-395 remedied the omission of letter of credit fronting fees in PGE's original application.

Since July 3, 2012, when Order No. 12-279 was entered, the market for revolving credit has changed. Investment banks discontinued their longstanding practice of providing multiple one-year extensions to credit facilities without charge, other than negligible legal costs of processing routine forms.² Both Staff and the Company had expected

¹ The Company has told Staff that it agrees to Staff's proposed conditions and reporting requirements.

² See PGE applications in UF 4268 and UF 4272 for additional background.

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that the credit facility could be extended twice, on a bilateral basis, for an additional year at no material additional cost.

Referent pricing provided by Wells Fargo securities indicates that investment banks most frequently turned to by like electric utilities for credit facilities now charge one-time upfront fees for each one-year extension. Staff sees no indication that the Company can avoid or dispute the new additional charges.

Outstanding Authorization:

New fees would not change PGE's existing authority shown below:

Order No. 11-105	\$300 million (Docket No. UF 4268)
<u>Order No. 12-395</u>	<u>\$400 million (Docket No. UF 4272)</u>
	\$700 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>	<u>\$30 million (Docket No. UF 4279)</u>
	\$60 million <i>restricted to LCs</i>

Use of Proceeds:

PGE credit facilities continue to be used for the Company's lawful utility purposes authorized by ORS 757.415.

Extensions of the Revolving Credit Facility:

If the Company's application to amend is granted, the Company may twice extend the revolving credit facility for one year during the life of the facility at a fee not to exceed 15 basis points for each extension, plus reasonable legal fees. No other changes are made to prior orders. All other conditions and provisions still apply. The Commission reserves the right to determine the reasonableness of incremental costs including legal fees in future rate proceedings.

Least Cost and Risk:

PGE represents that the new fees are now found throughout the market. The Company provided additional information to Staff by phone on Tuesday, September 17, 2013, consistent with Wells Fargo Securities Tenor Extension Amendment Fee Analysis provided in PGE's application. Staff's US. Securities and Exchange Commission (SEC) and Bloomberg review of representative investment bank and electric utility credit facility

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extensions and refreshment³ indicate that: A) Electric utilities are paying more to arrange current than last prior revolving credit facilities; and, B) Peer electric utilities are extending current credit facilities beyond the customary life of five years, rather than replacing revolving credit facilities shortly prior to five years.

Bloomberg Analysis of NYSE Tickers: AEP, CNL, DTE, EIX, PCG, TE, WR			
Investment Bank	NYSE Ticker	1- or 2-Year Extensions	Revolver Costs More Than Last Facility
JP Morgan Chase & Co.	JPM	Yes	Yes
Deutsche Bank AG	DB	Yes	Yes
UBS AG	UBS	Yes	Yes
Wells Fargo & Company	WFC	Yes	Yes

Staff finds that switching costs to change credit facility providers materially exceeds the new incremental costs to extend existing credit facilities. Further replacing a current credit facility with a new credit facility with the same provider can be expected to increase standard fees and charges. Therefore extending the current credit facility arrangement continues to constitute a prudent solution to the Company's credit facility needs.

Conclusion:

Staff's review of PGE's Application finds PGE's request for authority to pay unavoidable incremental financing fees reasonable. Staff continues to find that the underlying credit facilities are beneficial to ratepayers. The Company reviewed and agrees with this memo.

PROPOSED COMMISSION MOTION:

PGE's request for up to 15 basis points of additional cost per extension of a 2012 credit agreement be approved.

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³ Staff selected representative filings to review on SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system based on Bloomberg function CRPR indicating peers with like fundamentals and credit default risk. American Electric Power Co., Inc. (AEP), Cleco Corporation (CNL), DTE Energy Company (DTE), Edison International (EIX), PG&E Corporate (PCG), TECO Energy, Inc. (TE), and Westar Energy, Inc. (WR) constitute a sufficient sample to indicate trends described, given uniform findings.