

ORDER NO. 13 224

ENTERED JUN 18 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4279

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application to Enter into a Reimbursement
Agreement with Wells Fargo Bank.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 18, 2013, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is 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.

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ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 18, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 10, 2013

TO: Public Utility Commission

FROM: Matt Muldoon *mg*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *ME* *H*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4279) Requests authority to enter into a reimbursement agreement for issuing up to an additional \$30 million in letters of credit.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric Company's (PGE or Company) application subject to the following conditions and reporting requirements:¹

1. Sum of the amount of Letters of Credit (LC) issued under the Application and Agreement for Irrevocable Standby Letters of Credit (LC Agreement) and referenced under the Reimbursement Agreement with Wells Fargo Bank (Wells Fargo) shall not exceed \$30 million at any one time.
2. Authority for requesting Wells Fargo to issue a Letter of Credit under the LC Agreement, to renew an LC, and to extend the expiry date of the LC Agreement and the Reimbursement Agreement will terminate based on utilization as follows:
 - A. Generation, Transmission or Other Like Plant Restoration Guarantees will terminate on the date site restoration is completed.
 - B. Counterparty Collateral Guarantees for Power, Gas, and Related Trading will terminate upon the completion of the relevant transaction(s).
3. The annual fee for issuing and maintaining LCs will not exceed 1.30 percent of drawable amount.
4. Authority to ask Wells Fargo to issue any LC under the LC Agreement, to renew or amend any LC, or extend the expiry date of the LC Agreement and the

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

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Reimbursement Agreement will terminate if the total aggregate annualized fees and costs for such action(s), inclusive of attorney fees for reviewing, drafting or negotiating a renewal, amendment or extension of any LC, the LC Agreement, or the Reimbursement Agreement, processing fees and all other administrative expenses, would exceed the total aggregate annualized fees and costs for a similar action under PGE's most expensive outstanding revolving credit facility.

5. No upfront fees payable to Wells Fargo to enter into the LC Agreement and the Reimbursement Agreement are authorized.
6. Interest on the amount payable by the Company on demand to Wells Fargo as a result of any draw under any LC will not exceed Wells Fargo's prime lending rate plus two percent annually.
7. PGE will file a copy of the executed Reimbursement Agreement and the executed LC Agreement with the Commission within 30 calendar days after closure, itemizing all fees and expenses.
8. 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.²

DISCUSSION:

On May 20, 2013, PGE filed an application (Application) under ORS 757.410(1) and OAR 860-027-0030 requesting authorization to enter into a Reimbursement Agreement with Wells Fargo. PGE does not ask for additional authority to arrange the issuance of LCs directly. Rather, the Company asks for authority to enter into this additional Reimbursement Agreement under which PGE is obligated to repay Wells Fargo up to \$30 million plus expenses. PGE does not anticipate the need for more like agreements.

Use of Proceeds:

Consistent with ORS 757.415, PGE requests authority to use this additional agreement as an alternative to its higher cost revolving credit facilities to:

1. Guarantee site restoration of generation, transmission and other like facilities after such plants are decommissioned (Site Restoration); and
2. Satisfy counterparty collateral requirements in electricity, gas and related trading and transactions (Trading).

² Conditions herein are reduced from prior similar dockets. No annual reporting is required.

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Outstanding Authorization:

This new authority requested would supplement 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. 12 099	\$25 million (Docket No. UF 4277)
<u>Pending</u>	<u>\$30 million (Docket No. UF 4279)</u>
	\$55 million <i>restricted to LCs</i>

Related Background:

Staff discussed ORS 757.415(3) and ORS 757.410 with respect to demand notes in Docket No. UF 4277. In that docket, the Commission authorized PGE to enter into a Reimbursement Agreement with the Wells Fargo of Nova Scotia that was associated with an Agreement to issue Standby Letters of Credit (LC) in an amount not to exceed \$25 million. PGE explained that the LCs were required by the Oregon Department of Energy to provide financial assurance for site restoration at PGE's Biglow and Port Westward generating facilities to occur after the facilities are decommissioned. (OPUC Order No. 13-099.) As discussed in Docket No. UF 4277, PGE must stand ready to show in each subsequent rate case that obtaining LCs under an outstanding LC Agreement is more cost effective than obtaining LCs under PGE's most expensive outstanding credit facility.

The above discussion of UF 4277 is provided because of the similarity in reimbursement agreements. Approval of this application would complement prior authorization and increase the aggregate amount of low-cost LC's available to guarantee Site Restoration. However, current requested authority would also permit PGE to also use lower-cost LCs to support Trading.

Maximum Borrowing:

Aggregate maximum LC's issued and aggregate total draw-able amount under the Reimbursement Agreement each may not exceed \$30 million at any one time. This is the additional amount requested by PGE, and Staff supports this requested amount.

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Consistent with Regulation:

In Docket No. 4277, Staff explained how Commission authorization of the Reimbursement Agreement to support LCs to provide financial assurance of site restoration at two PGE generating facilities would be consistent with both Federal Energy Regulatory Commission (FERC) and Oregon Department of Energy (ODOE) Energy Facility Siting Council (EFSC) requirements. For the same reasons, the Reimbursement Agreement at issue in this docket that is associated with the PGE/Wells Fargo Agreement for Irrevocable Standby Letters of Credit is consistent with regulatory requirements. Notably, the LCs issued by Wells Fargo may be used to provide financial assurance of site restoration for generation facilities located outside of Oregon. Also, the LCs may be used to support trading transactions.

Extensions of the Agreement:

The LC Agreement and Reimbursement Agreement may be extended until authorized Site Restoration and Trading uses are complete, provided LCs issued in conjunction with the Reimbursement Agreement cost no more than LC's issued under PGE's most expensive outstanding credit facility for like maturities, or proportionally for different maturities.

Impact on Credit Ratings:

PGE's outstanding first mortgage bonds (FMB) are currently rated as:

Moody's

A3

S&P

A-

Staff anticipates no significant impact on PGE's credit rating metrics as a result of this Reimbursement Agreement and the subsequent issuance of associated LC's.

Expenses:

PGE represents that it believes that the requested Reimbursement Agreement will allow the Company to obtain lower cost LCs adequate for targeted purposes. OPUC Order No. 13-099 in Docket No. UF 4277 authorized very low cost LCs that can ONLY be used to guarantee Site Restoration. Authorization now requested would similarly allow the Company to issue LC's to guarantee Site Restoration at that same approximate cost. However, the new authority would also permit PGE to issue LCs costing two-thirds more, acceptable for Trading collateral.

Both types of LC's are cheaper than LC's supported by PGE's revolving credit facility. LCs under the more comprehensive revolving credit facility costs more, primarily because the market costs for those types of facilities and the required capital have increased.

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Reporting:

No annual reporting is required.

Conclusion:

Staff's review of PGE's Application finds the requested incremental authority reasonable and likely to be beneficial to ratepayers. Should a planned project requiring site restoration guarantees be delayed, ratepayers benefit from PGE flexibly redeploying LC issuance capabilities to support trading. This flexibility helps to ensure that rate payers incur the least necessary cost to assure the Company can meet its environmental and market obligations. The Company has reviewed and agrees with this memo.

The Company represents that funds obtained under the LC Agreement and Reimbursement Agreement will be used solely for lawful utility purposes as described herein. The Company provided additional information in response to Staff data requests regarding cost comparisons and LC uses. In its recently filed general rate case, PGE has also provided corroborating information indicating authorization of Reimbursement Agreements poses no incremental harm or risk for ratepayers.

PROPOSED COMMISSION MOTION:

PGE's request for authority to enter into a Reimbursement Agreement for issuing up to an additional \$30 million in letters of credit be approved, subject to Staff conditions 1-8.

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