

ORDER NO. 15 041

ENTERED FEB 10 2015

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4272(2)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request to Amend Order No. 12-279 as
Modified by Order Nos. 12-395 and 13-379.

ORDER

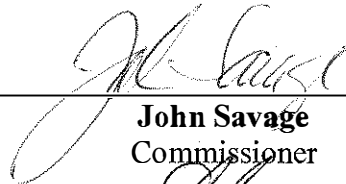
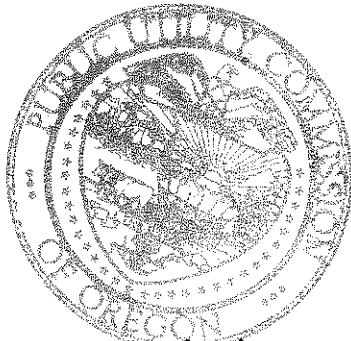
DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at the public meeting on February 10, 2015, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 10th day of February, 2015, 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.

ORDER NO. 15 041

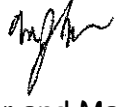
ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 10, 2015**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: January 28, 2015

TO: Public Utility Commission

FROM: Matt Muldoon 

THROUGH:  Jason Eisdorfer and  Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4272(2)) Requests authority for a consolidated \$500 million credit facility with up to two one-year extensions.

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 Nos. 12-395 and 13-379 to simultaneously: 1) extend and enlarge its \$400 million credit facility to \$500 while extending maturity to November 14, 2019, not inclusive of two additional optional one-year extensions; and, 2) eliminate the Company's \$300 million credit facility.

DISCUSSION:

On January 13, 2015, PGE filed a supplemental application under ORS 757.400 *et seq.*, and OAR 860-027-0030 requesting authorization to consolidate and extend its revolving credit facilities. PGE recently analyzed its credit facility needs as the Company nears the end of a build period. The result of the analysis was a determination that PGE could reduce the amount of its revolving credit.

Outstanding Authorization:

On June 1, 2012, PGE was authorized 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. Order No. 13-379 authorized up to 15 basis points (bps) for extensions of the \$400 million facility. PGE has extended this facility once and currently has one remaining unused authorized extension.

ORDER NO.

15 041

Docket No. UF 4272(2)
January 28, 2015
Page 2

In addition, PGE also has a \$300 million revolving credit facility implement in 2011 pursuant to Order No. 11-105.

Current Revolving Credit Authorization:

Order No. 11-105	\$300 million	(Docket No. UF 4268)
Order No. 13-379	\$400 million	(Docket No. UF 4272)
	\$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))
Order No. 13-224	\$30 million	(Docket No. UF 4279)
	\$60 million	<i>restricted to LCs</i>

Proposed Consolidated and Refreshed Revolving Credit Authorization:

<u>Requested Consolidation:</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)
	\$60 million	<i>restricted to LCs</i>

Use of Proceeds:

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

Expiration and Extensions:

The proposed \$500 million credit facility if authorized would expire on November 14, 2019, excluding the two additional one year extensions requested. If each of the two one-year extensions were authorized, the facility would expire on November 14, 2021.

If the Company's application is granted, the Company may twice extend the consolidated \$500 million 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.

Docket No. UF 4272(2)
January 28, 2015
Page 3

Staff finds that it is to ratepayer advantage to extend current provisions and fees. As investment banks face earnings pressure globally, existing fees may increase. Further, rating agencies prefer updating of credit facilities prior to expiration to avoid market uncertainties.

No Change to Reporting and Other Conditions:

An order authorizing this consolidation would be subject to customary and usual fees as described in Order Nos. 12-279, 12-395 and 13-379 plus additional fees for the increase and extensions of up to 15 bps each. Other conditions, reporting and provisions still apply. The Commission reserves the right to determine the reasonableness of usage and costs in future rate proceedings.

Least Cost:

PGE represents that the \$200 million reduction in aggregate full service credit facilities would provide savings to ratepayers of up to \$360,000 per year in commitment fees.

Staff finds that switching costs to change credit facility providers materially exceeds the new incremental costs to consolidate and extend the larger of the 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.

No changes are proposed at this time to letter of credit (LC) costs or fees for various credit facility applications described in prior orders. The Company will continue to utilize unsecured LC where cost and risk effective.

Minimal Incremental Geographic Risk:

The Company's single consolidated credit facility will continue to have geographic diversity in participating banks and will have participation by institutions headquartered on different continents.

Acceptable Incremental Concentration Risk:

The Company's single consolidated credit facility will have fewer participants, but no one participant will provide a dominant portion of credit.

Impact on Credit Rating Agencies:

Approval of the Company's application is generally credit neutral. In January, 2014, Moody's Investment Services (Moody's) upgraded PGE's credit rating (among other electric utilities) one notch. Since that time, S&P ratings have remained two notches below Moody's. An increase in ratings by S&P would benefit ratepayers through lower

Docket No. UF 4272(2)

January 28, 2015

Page 4

fees. Currently, ratepayers incur costs associated with PGE's revolver and new debt issuance as a result of S&P's ratings being 2 notches lower than Moody's. Ratepayers benefit slightly from Moody's one notch increase above S&P but get no benefit from being two notches higher. Like improvement of personal credit ratings, a myriad of considerations go into rating agency assessments. No one action likely triggers an S&P upgrade. However, Staff flags this situation for Commission consideration. Were S&P ratings to increase one notch, lenders would consider PGE's ratings a split decision – where the higher Moody's ratings would apply for fees related to revolving credit. PGE may also obtain lower bond interest rates as a result of an upgrade. Any cost savings would benefit Company, investors and ratepayers.

Authorization of a \$100 Million Accordion Feature:

The Company requests the authorization of an additional accordion feature which would permit PGE to enlarge the resultant single \$500 million credit facility by \$100 million to \$600 million at prevailing market rates, at the Company's discretion. Staff accepts PGE's assessment of need over the requested life of the consolidated credit facility. To execute this accordion feature, the Company would not need to come before the Commission for additional authorization.

However, PGE would need to: 1) report to the Commission that it has exercised this accordion feature, 2) itemize the costs incurred, and 3) explain how the Company determined that these costs were reasonably reflective of then current market conditions. Staff recommends approval of this accordion feature, which allows the Company to reduce costs now while retaining cost-effective flexibility should conditions change quickly.

Conclusion:

Staff's review of PGE's Application finds PGE's proposal avoids unnecessary costs while continuing to control risk. The consolidated credit facility will continue to benefit ratepayers. The Company reviewed and agrees with this memo.

PROPOSED COMMISSION MOTION:

PGE's request for a consolidated \$500 million credit facility with up to two one-year extensions and payment of fees set forth herein be approved.

UF 4272(2)