

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4347

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Authority to Enter into One
or More Reimbursement Agreements with
Commercial Banks for the Purpose of
Issuing Letters of Credit Up to an
Aggregate Amount at Any One Time Not
to Exceed \$320 Million.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 28, 2023, 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:



Nolan Moser

Chief Administrative Law Judge



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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 28, 2023**

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

DATE: November 2, 2023

TO: Public Utility Commission

FROM: Matt Muldoon

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UF 4347)
Request authorization for Reimbursement Agreements supporting up to
\$320 Million in Letters of Credit.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) application (Application), subject to the following Staff-recommended conditions (Conditions):

1. *Authorization Limit*
Sum of Letters of Credit (LC) under the Reimbursement Agreements shall not exceed \$320 million. Herein LC and Standby LC are interchangeable terms.
2. *Supplemental Authority*
Authorization hereunder is supplemental to the Credit Facility authorized under Order No. 23-283 in Docket No. UF 4342.
3. *Fees and expenses are limited as follows:*
 - a. LC Fronting Fees are NOT authorized under Reimbursement Agreements.
 - b. The sum of annual fees and costs for utilizing Reimbursement Agreements inclusive of all legal costs must be less than the cost for issuing LCs under PGE's current revolving credit agreements authorized under Order No. 23-283 in Docket No. UF 4342.
 - c. No credit ratings are required for Reimbursement Agreements or LCs. LCs will be issued at annual fees not to exceed 125 basis points (bps) per annum on the daily amount able to be drawn thereunder.

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- d. Any LC demand not immediately paid by PGE will accrue interest not to exceed the issuing bank's prime lending rate plus two percent until the draw is paid in full.
 - e. PGE external legal fees, and reimbursement of bank legal fees shall not exceed in the aggregate \$150,000, unless the Company reports to the Commission within 30 days of incurring higher legal costs explaining why such costs were market prevailing and necessary to provide utility service.
 - f. LCs may be amended at a one-time cost of \$150 per amendment.
 - g. Any fees not addressed in Condition 3 are not authorized by the Commission Order in Docket No. UF 4347.
4. *Balanced Capital Structure*
PGE shall maintain a consolidated indebtedness to total consolidated capitalization ratio of 65 percent or less.
5. *Use of Proceeds*
Proceeds must be used for lawful utility purposes authorized by ORS 757.415.
6. *Maintenance of Detailed Records*
PGE will maintain an electronic MS Excel spreadsheet, with all cell references and formulas intact capturing quarterly information for each outstanding Reimbursement Agreement and associated LCs. Quarterly information will include: cash flows, LCs issued, total interest accrued, and fees paid. Data capture will continue for as long as PGE has Reimbursement Agreements or associated LCs outstanding for any portion of a given calendar year. In lieu of periodic reporting, PGE will provide this data to Staff upon request.
7. *Reservation of Judgment Regarding Reasonableness*
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. PGE has the burden of proof to demonstrate that the Company's financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for authorization for Reimbursement Agreements supporting up to \$320 million of LCs.

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Applicable Rule or Law

ORS 757.405 provides the Commission with the authority to regulate the issuance of utility securities.

ORS 757.410 requires public utilities to obtain Commission approval prior to issuing notes or other evidences of indebtedness.

ORS 757.415 sets forth the purposes for which a public utility may issue notes and other evidences of indebtedness,¹ and outlines the contents of a Commission order authorizing the issuance of securities by a public utility.

ORS 757.420 requires an application for a Commission order approving the issuance of securities to be given priority, and be disposed of within 30 days after the filing of the application, unless the public utility consents to the extension of that period.

ORS 757.430 provides that the Commission may include in its order conditions to approval that it deems are reasonable and necessary.

Analysis

On October 20, 2023, PGE filed an application (Application) under ORS 757.415 requesting authorization to enter into Reimbursement Agreements supporting up to \$320 million in LC's.

The Company expects to reduce the cost of LCs for a variety of environmental, regulatory, and utility compliance purposes.

Subject to recommended Conditions, the requested authority satisfies the Commission's and the statutory criteria. Below is a summary of the current authorized revolving credit facility (Credit Facility) and proposed (Reimbursement Agreements):

¹ Such purposes include the acquisition of property; construction, completion, extension, or improvement of facilities; improvement or maintenance of service; and discharge or lawful refunding of obligations.

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<u>Docket No.</u>	<u>Initial \$ Amount</u>	<u>Maximum \$ Amount</u>
UF 4342	\$750 million (Current)	\$850 million
UF 4347	\$320 million (Proposed)	\$320 million, Restricted to LCs
	\$1,070 million (At Close)	\$1,170 million, Inclusive of LCs

Credit Ratings

<u>PGE's Current Credit Ratings</u>	<u>S & P²</u>	<u>Moody's</u>
First Mortgage Bonds	A	A1
Senior Unsecured	BBB+	A3
Commercial Paper	A-2	P-2
Rating outlook	Stable	Stable

Credit ratings are not required for Reimbursement Agreements or associated LCs. However, PGE's debt ratings from Moody's and Standard and Poor's affect both the credit facility fee and borrowing spreads, each of which is capped for the applicable PGE credit rating with respect to use of PGE's primary larger credit facility. PGE may use Reimbursement Agreements and associated LCs when the cost of doing so is less than reliance on PGE's Credit Facility.

Use of Proceeds

PGE may use Reimbursement Agreement and associated LCs for utility purposes authorized by ORS 757.415, focused on applications where LC are required but do not necessarily require the participation of a large investment bank well known to PGE's various market counterparties.

Expenses

PGE represents in its Application that fees and expenses incurred will be market-based costs typical for Reimbursement Agreements and associated LCs and in no case more expensive than reliance on the Company's Credit Facility. PGE must demonstrate in its record keeping and in subsequent general rate cases that fees and expenses incurred reflect competitive contemporaneous market conditions.

² S&P refers to Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., while Moody's refers to Moody's Investors Service, Inc.

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Conclusion

PGE represents that the Company can obtain satisfactory LCs for a variety of utility purposes at lower cost to the benefit of ratepayers through the use of Reimbursement Agreements.

PGE's representation is consistent with Staff's understanding. When financial transactions require the supporting services of a large well-known investment bank, PGE's Credit Facility is well suited for such transactions. However, many other reclamation, environmental and other regulatory compliance and an increasing number of transactions only require "a LC" that can be obtained from a smaller regional bank or less internationally known financial institution at less cost to ratepayers than use of the Company's Credit Facility.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Authorize PGE to enter into Reimbursement Agreements supporting up to \$320 million in Letters of Credit through January 1, 2030, subject to Staff's recommended Conditions.

PGE UF 4347 320M LC Credit