To: Oregon Energy Facility Siting Council

From: Sisily Fleming, Fiscal Analyst

Date: February 9, 2018

Subject: Agenda Item G - Financial Assurance for the Retirement of Energy Facilities with Site Certificates – For February 23, 2018 EFSC Meeting

In May 2015 the Council approved a process for the annual approval of Bond and Letter of Credit templates and a pre-approved financial institution list for site certificate holder’s use in obtaining the financial assurance instruments for the retirement of their facilities. An update is required annually to implement the procedure.

2018 Bond and Letter of Credit Templates

Staff does not recommend any changes to the Bond or Letter of Credit templates approved by Council for use in 2017.

Senior Assistant Attorney General, Jesse Ratcliffe, has reviewed the templates reaffirmed legal sufficiency for use in 2018.

2018 Financial Institutions

Attached is staff’s 2018 proposed list of Approved Financial Institutions. Staff researched credit ratings on January 15, 2018. A ↑ indicates the January 2018 rating is higher, and a ↓ indicates the January 2018 rating is lower, than the ratings on the list approved in January 2017. Ratings that were not found in January 2018 are left blank.

All of the institutions proposed were on the list approved by Council in January 2017, as well as three institutions approved by Council at their April and October 2017 meetings, (Helaba (NY Branch of Landesbank Hessen-Thueringen GZ), Bank of Tokyo-Mitsubishi, UFJ, and Liberty Mutual Insurance Company). Staff does not recommend adding or removing any entities from the list at this time.

Requested Council Action

Staff recommends Council approve the proposed Letter of Credit and Bond templates, and the list of proposed pre-approved financial institutions for use in 2018.

Attachments

- Proposed Bond Template
- Proposed Letter of Credit Template
- Proposed 2018 Pre-Approved Financial Institutions
# Energy Facility Siting Council
## 2018 Proposed Financial Institutions

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Moody's</th>
<th>Standard &amp; Poor's</th>
<th>Fitch</th>
<th>A.M. Best</th>
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<tr>
<td>Letters of Credit</td>
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<td></td>
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</tr>
<tr>
<td>Bank of Nova Scotia (NY Agency)</td>
<td>Aa3</td>
<td>↓</td>
<td>A+</td>
<td>AA-</td>
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<tr>
<td>MUFG Union Bank, N.A.</td>
<td>A2</td>
<td>↑</td>
<td>A</td>
<td>A</td>
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<td>JP Morgan/Chase Bank, N.A.</td>
<td>Aa3</td>
<td></td>
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<tr>
<td>Wells Fargo Bank, N.A.</td>
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<td>AA-</td>
<td></td>
<td>AA- ↓</td>
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<tr>
<td>Royal Bank of Scotland Connecticut Branch</td>
<td>A3</td>
<td>BBB+</td>
<td>AAA</td>
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<tr>
<td>Bank of America N.A.</td>
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<td>↑</td>
<td>A+</td>
<td>A+ ↑</td>
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<tr>
<td>CoBank</td>
<td>n/a</td>
<td>AA-</td>
<td>AA- ↑</td>
<td></td>
</tr>
<tr>
<td>Bank of the West</td>
<td>Aa3</td>
<td></td>
<td>A-</td>
<td>A</td>
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<td>Helaba (NY Branch of Landesbank Hessen-Thueringen GZ)</td>
<td>Aa3</td>
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<td>A+</td>
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<td>A</td>
<td>A</td>
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<td>Bonds</td>
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<td>Fidelity &amp; Deposit Co of MD</td>
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<td>AA-</td>
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</table>
SITE CERTIFICATE BOND

KNOW ALL PERSONS BY THESE PRESENTS, THAT WE

SITE CERTIFICATE HOLDER (Hereinafter called Principal), as Principal and INSURANCE COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of Oregon (hereinafter called “Surety”) as Surety, are held and firmly bound unto the STATE OF OREGON, acting by and through the ENERGY FACILITY SITING COUNCIL, (Hereinafter called “Obligee”), as Obligee, in the penal sum of WRITE OUT AMOUNT Dollars, ($X,XXX,XXX) good and lawful money of the United States of America, to be paid to the Obligee, for the payment of which, well and truly to be made, we bind ourselves, our heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the said Principal has been granted a Site Certificate for the Project Name dated Month day, Year (“Site Certificate”), and

WHEREAS, the Principal is required to provide financial security to the Obligee in the amount of $X,XXX,XXX (X Quarter) dollars under Condition Number of said Site Certificate as specified by the Obligee to be an adequate amount to retire the Project Name components of the facility according to a final retirement plan approved by the Council, as described in OAR 345-027-0110;

NOW, THEREFORE THE CONDITION OF THIS OBLIGATION IS SUCH that if the said Principal shall comply with the conditions of the Site Certificate as referenced above,

OR, if the Principal shall obtain and provide alternate financial assurance approved by the Council within 90 (ninety) days after the date of notice of cancellation is received by the Obligee from the Surety, then this obligation shall be void, otherwise to remain in full force and effect until the expiration date set forth below.

The Surety shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above. Upon notification by the Obligee that the Principal has failed to perform as guaranteed by this bond, the Surety will be obligated to pay monies to the Obligee limited to the penal sum of this bond to fund any work required.

PROVIDED, HOWEVER, THAT THIS BOND IS EXECUTED BY THE PRINCIPAL AND SURETY AND ACCEPTED BY THE OBLIGEE SUBJECT TO THE FOLLOWING EXPRESS CONDITIONS:

1. It is understood by all parties to this Site Certificate that the term of this bond shall begin on Month Day, Year and shall expire on Month Day, Year.

2. The liability of the Surety shall in no event exceed the penal sum of the bond regardless of the number of Extensions or years it may be in effect.

3. The Surety has no obligation to perform any remediation work and no responsibility to contract with any other party for remediation work at the site. The Surety’s obligation under this bond consists solely of the payment of sums found to be due the Obligee and no other obligation.

4. No right of action shall accrue under this bond to or for the use or benefit of anyone other than the named Obligee or its successors or assigns. No assignment by the Principal shall be effective without the written consent of the Surety.
5. The Surety may cancel this bond at any time by giving the Obligee one hundred twenty (120) days written notice of the Surety’s intent to cancel this bond, notice to be sent to:
   Oregon Energy Facility Siting Council
c/o Oregon Department of Energy
550 Capitol St. NE (1st Floor)
Salem, OR 97301

6. All suits, actions on this bond must be brought within thirty (30) days of the termination of the Site Certificate or bond, whichever shall occur first.

7. If any conflict or inconsistency exists between the Surety’s obligations as described in the bond and as described in the underlying Site Certificate, then the terms of the bond shall prevail.

8. No modification of the Site Certificate guaranteed by this bond shall be binding on the Surety or covered by this bond without the written consent of the Surety.

9. The Surety(ies) may issue a rider or riders annually to adjust the penal sum of the bond for inflation as consistent with Condition Number of the Site Certificate based on the U.S. Gross Domestic Product Implicit Price Deflator, chain weighted, as published in the Oregon Department of Administration Services’ “Oregon Economic and Revenue Forecast,” or by any successor agency (“the Index”). Any rider adjustment will be subject to normal underwriting procedures and approval by the Surety, and if approved by the Surety, will adjust the penal sum of the bond based on the percentage increase in the noted index. If at any time the index is no longer published, the Obligee shall select comparable calculation to adjust # Quarter YEAR dollars to present value under Condition Number.

10. The Surety(ies) agrees that it is liable for additional costs and expenses including reasonable attorneys’ fees, awarded by a court to Obligee in successfully enforcing the obligation against the Surety(ies) in the event Surety(ies) wrongfully fails to pay sums owed as required under the bond.

11. This bond shall not bind the Surety unless the bond is accepted by the Obligee. The acknowledgment and acceptance of such bond is demonstrated by signing where indicated below. If this obligation is not accepted by way of signature of the Obligee below, this bond shall be deemed null and void.

IN WITNESS WHEREOF, said Principal and Surety have caused these presents to be executed in their names and by their seals to be hereunder affixed on this XX day of Month 20XX.

Site Certificate Holder

ATTEST ___________________________ BY ___________________________

Principal

INSURANCE COMPANY

ATTEST ___________________________ BY ___________________________

Name, Attorney-in-Fact

Witness as to Surety
The above terms and conditions of this bond have been reviewed and accepted by

__________________________________________, the Obligee

Acknowledged and Accepted:

By:________________________________________

Printed Name:________________________________

Title:________________________________________
IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER

Date

STATE OF OREGON
Acting by and through
The Energy Facility Siting Council
c/o Energy Siting Division Administrator
Oregon Department of Energy
550 Capitol St NE – 1st floor
Salem, Oregon 97301-3737

Ladies and Gentlemen:

At the request and for the account of Site Certificate Holder, address, and on behalf of the Project Name, we, Financial Institution hereby establish effective immediately, in favor of you, the STATE OF OREGON, acting by and through The Energy Facility Siting Council ("Beneficiary") this Irrevocable Standby Letter of Credit Number ______ (the "Letter of Credit") in the amount of USD $x,xxx,xxx (write out number) (as such amount may be reduced from time to time by partial draws hereunder, the "Stated Amount").

We are informed that this Letter of Credit is being issued in connection with the Site Certificate for the Project Name with the STATE OF OREGON dated month day, year, as may be amended from time to time.

This Letter of Credit is issued, presentable, and payable at our offices at Financial Institution, address Attention: Standby Letter of Credit Department and expires with our close of business on date (the "Expiration Date").

It is a condition of this Letter of Credit that it shall be automatically extended without amendment for successive one (1) year periods from the present or any future Expiration Date hereof, unless we provide you with written notice by overnight courier or registered mail of our election not to extend this Letter of Credit at least sixty (60) days prior to any such Expiration Date (the present or any future expiration date as aforesaid is referred to herein as the "Expiration Date"). For the purposes hereof, "Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York.

Subject to the terms and conditions herein, funds under this Letter of Credit are available at sight against your draft drawn on us bearing upon its face the clause "Drawn under Financial Institution Letter of Credit Number ______ dated __, 20___" and accompanied by the following documents:

1. The original of this Letter of Credit and all subsequent amendments, if any; and

2. Your sight draft drawn on us; and

3. A dated draw certificate purportedly signed by an authorized officer of the Beneficiary and on Beneficiary's letterhead in the form of attached Exhibit(s) A, B or C to this Letter of Credit (incorporated herein by reference and made an integral part hereof).

Partial drawing and multiple presentations are permitted under this Letter of Credit, provided that the Stated Amount of this Letter of Credit shall be permanently reduced by the amount of each such draw paid by us.
This Letter of Credit may not be transferred or any of the rights hereunder assigned. Any purported transfer or assignment shall be void and of no force or effect.

The Financial Institution, agrees that a draft drawn and presented in conformity with the terms of this Letter of Credit will be duly honored upon presentation. If a draft made by Beneficiary does not conform to the terms and conditions of this Letter of Credit, we will give Beneficiary prompt notice that the demand for payment will not be effected. Such notice will include a statement of reasons for the denial. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, Beneficiary may attempt to correct the nonconforming demand; provided, however, that any draft or document prescribed to correct such nonconforming demand must be provided or on prior to the Expiration Date.

This Letter of Credit sets forth in full our undertaking and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any documents, instruments or agreements referred to herein, except only the exhibits referred to hereby and any such reference shall not be deemed to incorporate by reference any document, instrument or agreement except for such exhibits.

Except as otherwise expressly stated herein, this Letter of Credit is issued subject to the International Standby Practices ("ISP98"), International Chamber of Commerce Publication No. 590. As to matters not covered by the ISP98, this Letter of Credit shall be governed by the laws of the State of Oregon without regard to the principles of conflicts of laws thereunder.

Authorized Signature

Authorized Signature
[DATE]

Financial Institution
Address
City, State Zip

Attention: Standby Letter of Credit Department

Drawn under Irrevocable Standby Letter of Credit Number _____ dated __, 20__

Ladies and Gentlemen:

Any capitalized term used herein shall have the meaning defined for that term by the Letter of Credit.

The undersigned, the duly elected and acting ___________ of the Beneficiary, hereby certifies as follows:

1. **Site Certificate Holder** has permanently ceased commercial operation of the energy facility described in the Site Certificate for the **Project Name**, as amended from time to time (the "Site Certificate").

2. Either [Select Applicable Provision]:

   [ ] **Site Certificate Holder** has failed to submit to Beneficiary a retirement plan for the **Project Name** as required by OAR 345-027-0110.

   Or

   [ ] Beneficiary has issued a final order disapproving the final retirement plan proposed by **Site Certificate Holder**

   Or

   [ ] **Site Certificate Holder** has failed to comply with the terms and conditions of the approved final retirement plan for the **Project Name** and Beneficiary's order authorizing retirement of the **Project Name**.

3. As a result of said breach of the Site Certificate, the Beneficiary is entitled pursuant to the provisions of the Site Certificate to make demand under the Letter of Credit in the amount of $__________.

4. The undersigned has concurrently presented to you its sight draft drawn in the amount specified in Paragraph 3 above, which amount does not exceed the lesser of (a) the amount the Beneficiary is entitled to draw pursuant to the provisions of the Site Certificate, and (b) the Stated Amount as of the date hereof. The date of the sight draft is the date of this Certificate, which is not later than the Expiration Date.
5. Funds paid pursuant to the provisions of the Letter of Credit shall be wire transferred to the Beneficiary in accordance with the following instructions:

_______________________
_______________________
_______________________

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the ___ day of ____________, 20__.

STATE OF OREGON, acting by and through the Energy Facility Siting Council, as Beneficiary

By: _____________________

Title: _____________________
Financial Institution
Address
City, State Zip

Drawn under Irrevocable Standby Letter of Credit Number ____________ dated ___, 20__

Ladies and Gentlemen:

Any capitalized term used herein shall have the meaning defined for that term by the Letter of Credit.

The undersigned, the duly elected an acting ________ of the Beneficiary, hereby certifies as follows:

1. **Financial Institute** has heretofore provided written notice to the Beneficiary of the Bank’s intent not to renew the Letter of Credit following the present Expiration Date thereof.

2. **Site Certificate Holder** is required to deliver to the Beneficiary and keep in effect, a bond or letter of credit that satisfies the requirements of Condition number of the Site Certificate for the **Project Name**, as amended from time to time (the “Site Certificate”).

3. Neither **Site Certificate Holder** nor any person acting on its behalf has, at least thirty (30) days prior to the present Expiration Date of the Letter of Credit, delivered to Beneficiary a bond or letter of credit that satisfies the requirements of Condition number of the Site Certificate.

4. As a result of said breach of the Site Certificate, the Beneficiary is entitled pursuant to the provisions of the Site Certificate to make demand under the Letter of Credit in the amount of $ _____.

5. The undersigned has concurrently presented to you its sight draft drawn in the amount specified in Paragraph 4 above, which amount does not exceed the lesser of (a) the amount the Beneficiary is entitled to draw pursuant to the provisions of the Site Certificate, and (b) the Stated Amount as of the date hereof. The date of the sight draft is the date of this Certificate, which is not later than the Expiration Date.

6. Funds paid pursuant to the provisions of the Letter of Credit shall be wire transferred to the Beneficiary in accordance with the following instructions:

   ______________________

   ______________________

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the _____

   day of __________, 20__.
STATE OF OREGON, acting by and through the
Energy Facility Siting Council, as Beneficiary

By:  

Title:  

Exhibit C

[EFSC LETTERHEAD]

DRAW CERTIFICATE

[DATE]

Financial Institution
Address
City, State Zip

Attention: Standby Letter of Credit Department

Drawn under Irrevocable Standby Letter of Credit Number __dated __, 20____

Ladies and Gentlemen:

Any capitalized term used herein shall have the meaning defined for that term by the Letter of Credit.

The undersigned, the duly elected and acting ____________ of the Beneficiary, hereby certifies as follows:

1. Site Certificate Holder has begun construction of the project described in the Site Certificate for the Project Name, as amended from time to time (the "Site Certificate"), but has not completed construction by the deadline specified in Condition Number of the Site Certificate.

2. Neither Site Certificate Holder nor any successor has requested an amendment of the Site Certificate extending the construction completion deadline in compliance with applicable rules.

3. As a result of said breach of the Site Certificate, the Beneficiary is entitled pursuant to the provisions of the Site Certificate to make demand under the Letter of Credit in the amount of $ ____________.

4. The undersigned has concurrently presented to you its sight draft drawn in the amount specified in Paragraph 4 above, which amount does not exceed the lesser of (a) the amount the Beneficiary is entitled to draw pursuant to the provisions of the Site Certificate, and (b) the Stated Amount as of the date hereof. The date of the sight draft is the date of this Certificate, which is not later than the Expiration Date.

5. Funds paid pursuant to the provisions of the Letter of Credit shall be wire transferred to the Beneficiary in accordance with the following instructions:

_______________________
_______________________
_______________________

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this certificate as of the ____ day of ____________, 20__. 

Page 7 of 8
STATE OF OREGON, acting by and through the Energy Facility Siting Council, as Beneficiary

By:  ____________________

Title:  ____________________