To: Energy Facility Siting Council  
From: Sisily Fleming, Fiscal Analyst  
Date: April 7, 2020  
Subject: Agenda Item E (Action Item): Consideration of adding Hanover Insurance Group to the Council’s Pre-Approved Financial Assurance Institution List for the April 24, 2020 EFSC Meeting  

Attachments: Attachment 1: Financial Analysis prepared by John Hobbs, ODOE  
Attachment 2: Proposed Pre-Approved Financial Institution

STAFF RECOMMENDATION

Staff recommends Council approve Hanover Insurance Group as a pre-approved financial institution for site certificate holder’s use in obtaining the financial assurance instruments for the retirement of their facilities, and direct staff to add Hanover Insurance Group to the pre-approved list for 2020.

BACKGROUND

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. The most recent update occurred at the Council meeting January 24, 2020.

REQUEST FOR ADDITION

On March 16, 2020 the Department received a request from EcoPlexus, Inc to add Hanover Insurance Group to the Council’s list of financial institutions pre-approved to issue financial assurance instruments to satisfy EFSC Site Certificate Conditions. EcoPlexus has provided, as part of Exhibit M in its Application for Site Certificate for the Madras Solar Energy Facility, a letter from Hanover Insurance Group demonstrating a long standing relationship and willingness to issue financial assurance on behalf of ExoPlexus. Hanover Insurance Group is not currently on the Council’s approved list of financial institutions authorized to provide financial assurance and while this letter satisfies the requirements of the application, ExoPlexus, Inc’s desire to ultimately acquire financial assurance from Hanover Insurance Group requires Council approval prior to the acceptance of the bond to satisfy the pre-construction conditions.
John Hobbs, Project Development Officer from the Oregon Department of Energy Loan Development Division reviewed the qualifications of Hanover Insurance Group and concluded that the company demonstrates sufficient financial strength to act as issuers for coverage required by the State of Oregon. A copy of the financial analysis completed by Mr. Hobbs is included in as Attachment 1.

**RECOMMENDED COUNCIL ACTION**

Staff recommends Council approve Hanover Insurance Group as a pre-approved financial institution for site certificate holder’s use in obtaining the financial assurance instruments for the retirement of their facilities, and direct staff to add Hanover Insurance Group to the pre-approved list for 2020.

**ATTACHMENTS:**

Attachment 1:  Financial Analysis prepared by John Hobbs, ODOE  
Attachment 2:  Proposed Pre-Approved Financial Institution
Agenda Item F – Attachment 1

Energy Facility Siting Council Assurance Coverage Review

Hanover Insurance Co.
Hanover Insurance Company is an operating subsidiary of the Hanover Insurance Group, Inc. Hanover’s primary business operations are property and casualty insurance products and services. Hanover markets its product through independent agents and brokers in the United States. Commercial surety services accounted for $72.5 million (2.5% of total commercial) in net written premiums for Hanover in fiscal year 2018.
Corporate Business Office: 440 Lincoln Street, Worcester, Massachusetts 01653

Assurance Review
Upon review of the Moody’s credit rating and the published 2018 corporate annual report, I conclude the company demonstrates financial strength sufficient and necessary to act as an issuer and provide financial assurance required by the Oregon Department of Energy for projects typical of Hanover’s existing line of business, based on the following:
Moody’s Insurance Financial Strength of A2. This rating is a Prime-1 rating and represents low credit risk. The credit rating is current as of April 5, 2019.
The company’s consolidated 2018 summary income statement reflects $391 million in net income and the consolidated 2018 summary balance sheet reflects $827 million in cash and equivalents and $2.9 billion in shareholder equity.

Reviewed by:

John Hobbs, SELP Project Development Officer
03/20/20
Agenda Item F: Attachment 2

Energy Facility Siting Council

2020 Proposed Financial Institutions

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<thead>
<tr>
<th>Financial Institution</th>
<th>Bond</th>
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<tbody>
<tr>
<td>Bank of Nova Scotia (NY Agency)</td>
<td>Federal Insurance Co</td>
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<tr>
<td>MUFG Bank, N.A.</td>
<td>Liberty Mutual Insurance Company</td>
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<tr>
<td>JP Morgan/Chase Bank, N.A.</td>
<td>SAFECO Insurance Co of America</td>
</tr>
<tr>
<td>Wells Fargo Bank, N.A.</td>
<td>Westchester Fire Insurance Co</td>
</tr>
<tr>
<td>Royal Bank of Scotland Connecticut Branch</td>
<td>Traveler’s Casualty &amp; Surety Co of America</td>
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<tr>
<td>Bank of America N.A.</td>
<td>Fidelity &amp; Deposit Co of MD</td>
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<tr>
<td>CoBank</td>
<td>Hanover Insurance Gorup</td>
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<td>Bank of the West</td>
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<td>Helaba (NY Branch of Landesbank Hessen-Thueringen GZ)</td>
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<td>Natixis (NY Branch)</td>
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<td>Royal Bank of Canada (NY Branch)</td>
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<td>Barclay's Bank, PLC (NY Branch)</td>
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*Bank of the West, Helaba (NY Branch of Landesbank Hessen-Thueringen GZ), Natixis (NY Branch), Royal Bank of Canada (NY Branch), Barclay's Bank, PLC (NY Branch)*