



Oregon

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To: Energy Facility Siting Council

From: Sisily Fleming, Fiscal Analyst

Date: November 3, 2023

Subject: Agenda Item F (Action Item):
Annual Financial Assurance Review: Forms and Verified Institutions for the
November 17, 2023 Council Meeting

Attachments: Attachment 1: Proposed Financial Institutions for 2024 (with ratings)
Attachment 2: Proposed Bond Template for 2024
Attachment 3: Proposed Letter of Credit Template 2024

BACKGROUND

To implement Council procedure, annual approval of the Council's pre-approved financial institution list, and templates for Bonds and Letters of Credit for site certificate holder's use in obtaining financial assurance instruments is needed.

Council last updated its pre-approved financial institution list in September 2023 and Letters of Credit templates in January 2023.

MODIFICATIONS PROPOSED

The proposed financial institution list includes the firms Council approved for use in 2023, and affirms the addition of Continental Casualty Company, a subsidiary of CNA Financial Group. The Department utilizes the 'Financial Strength Long Term Issuer Credit Ratings' and 'Outlooks' data from S&P Global Ratings, Moody's Investors Service, Fitch Ratings, and AM Best. Only entities that have credit ratings within the top three tiers of the respective rating firm are considered. Credit ratings for the firms on the proposed list were researched and evaluated in October 2023 and each have been determined to demonstrate sufficient financial strength to act as issuers for coverage provided to the State of Oregon.

The proposed Letter of Credit template remains unchanged from the form Council approved in January 2023.

The proposed Bond template includes two minor edits that staff believe provide additional clarity and protection for the State.

RECOMMENDED COUNCIL ACTION

Staff recommends Council approve the list of pre-approved financial institutions, and the proposed letter of credit and bond templates as presented for use in 2024.

OTHER COUNCIL DIRECTION REQUESTS

1. Financial institutions are currently evaluated annually, and as necessary throughout the year based on regional, national, or global circumstances. Staff requests that Council provide direction regarding the frequency of future evaluations and offer the following options for consideration:
 - Option 1 – Annually
 - Option 2 – Twice a year
 - Option 3 – Either Option 1 or Option 2 and as necessary throughout the year based on regional, national or global financial circumstances.

2. Staff evaluates credit ratings from each of the four top credit rating firms (S&P Global Ratings, Moody's Investors Service, Fitch Ratings, and AM Best) to determine whether the firm demonstrates sufficient financial strength to act as an issuer for the coverage provided to the State. Staff requests that Council provide direction regarding the data or methodology used to make future determinations and offer the following options for consideration:
 - Option 1 – No Change Requested
 - Option 2 – Open to Council's direction