



Oregon

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To: Energy Facility Siting Council

From: Sisily Fleming, Fiscal Analyst

Date: February 9, 2024

Subject: Agenda Item G (Action Item): Financial Assurance Review – Forms and Institutions for the February 23, 2024, EFSC Meeting

Attachment: Attachment 1 – Pre-approved Letter of Credit Template Language

RECOMMENDED COUNCIL ACTION

Staff recommends the Council: **a)** add Mizuho Bank to the Council’s list of pre-approved financial institutions authorized to act as issuers of financial instruments to meet the Council’s Retirement and Financial Assurance Standard (see last page of this report); **b)** add Deutsche Bank to the same list; and **c)** approve the language proposed by Natixis for inclusion in their Letter of Credit for the Hermiston Power Project.

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. If a site certificate holder or applicant wishes to use a firm not on the list, Council approval is required. Similarly, if a site certificate holder or applicant wishes to include language in their bond or letter or credit that is different from the preapproved language, Council approval is required. The most recent approvals to the financial institutions list and bond and letter of credit template language occurred at the November 17, 2023 Council meeting.

REQUESTS & EVALUATIONS

a) Request - Portland General Electric holds multiple site certificates and has requested Council consideration to add Mizuho Bank to the Council’s pre-approved list to potentially issue Letters of Credit for Port Westward Generating Project, Carty Generating Station, and Biglow Canyon Wind Farm.

Overview - Mizuho Bank is a leading global bank with one of the largest customer bases in Japan, and an extensive international network covering financial and business centers around the world under the umbrella of the Mizuho Financial Group. Mizuho Financial

Group is one of the largest financial institutions in the world offering financial and strategic services through its group companies, which include Mizuho Bank and Mizuho Securities.

Credit Rating Review - We reviewed the 4 major credit rating agency scores for Mizuho Bank. Credit ratings at the higher end of the rating schedule (AAA, AA, A) typically point to companies that have financial characteristics that reflect their ability to effectively manage economic hardship and remain solvent. Credit ratings take into consideration a company's overall financial situation, including the debt it carries, its capital strength, its payment history on debt obligations, its revenues, and its enterprise risk management practices.

Rating Agency	Long Term Financial Strength Rating	Long Term Outlook
Standard & Poor's	A	Stable
Moody's	A1	Stable
Fitch Ratings	A-	Stable
A.M. Best Company	N/A	N/A

Conclusion - Based on the results of 4 credit rating agencies, review of the parent company financial position as of March 31, 2023 (capital surplus, loss reserves, liabilities, and gross revenues), we conclude that Mizuho Financial Group, and its subsidiary Mizuho Bank display a stable and strong financial posture.

- b) Request - Savion LLC, the parent company for Yellow Rosebush Energy Center, LLC, the applicant for the Yellow Rosebush project has requested Council consideration to add Deutsche Bank to the Council's pre-approved list for their use in compiling their application to meet the requirements of Exhibit M, Financial Analysis. The Department has reviewed the qualifications of Deutsche Bank and concluded it demonstrates sufficient financial strength to act as an issuer for coverage provided to the State of Oregon. See Attachment 2 for details.

Overview - Deutsche Bank is a leading provider of financial services to agencies, corporations, governments, private individuals and institutions in the Americas. Having first established a presence in the Americas in the 19th century, the bank began independent operations in the US in 1978, opening its first North American branch in New York City. Deutsche Bank launched its US intermediate holding company, DB USA Corporation, on July 1, 2016, under which most of its US-based operations were consolidated as required by the Dodd-Frank Act.

Credit Rating Review - We reviewed the 4 major credit rating agency scores for Deutsch Bank. Credit ratings at the higher end of the rating schedule (AAA, AA, A) typically point to companies that have financial characteristics that reflect their ability to effectively manage economic hardship and remain solvent. Credit ratings take into consideration a company's overall financial situation, including the debt it carries, its capital strength, its payment history on debt obligations, its revenues, and its enterprise risk management practices.

Rating Agency	Long Term Financial Strength Rating	Long Term Outlook
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Moody's	A1	Stable
Fitch Ratings	A-	Stable
A.M. Best Company	N/A	N/A

Conclusion - Based on the results of 4 credit rating agencies, review of the financial position as of July 3, 2023 (capital surplus, loss reserves, liabilities, and gross revenues), we conclude that Deutsche Bank AG displays a stable and strong financial posture.

- c) Request - Hermiston Power Project has submitted a request to add the following paragraph to the end of their letter of credit at the request of the issuing bank, Natixis for all sanctioned entities:

WE ARE SUBJECT TO VARIOUS LAWS, REGULATIONS, AND EXECUTIVE AND JUDICIAL ORDERS (INCLUDING ECONOMIC SANCTIONS, EMBARGOES, ANTI-BOYCOTT, ANTI-MONEY LAUNDERING, ANTI-TERRORISM, AND ANTI-DRUG TRAFFICKING LAWS AND REGULATIONS) OF THE UNITED STATES OF AMERICA AND OTHER COUNTRIES THAT ARE ENFORCEABLE UNDER APPLICABLE LAW. WE WILL NOT BE LIABLE FOR OUR FAILURE TO OR OUR DELAY IN MAKING PAYMENT UNDER THIS LETTER OF CREDIT OR FOR OTHER ACTION WE TAKE OR DO NOT TAKE, OR DISCLOSURE WE MAKE, UNDER OR IN CONNECTION WITH THIS LETTER OF CREDIT (INCLUDING, WITHOUT LIMITATION, ANY REFUSAL TO TRANSFER THIS LETTER OF CREDIT) THAT IS REQUIRED BY SUCH LAWS, REGULATIONS, OR ORDERS.

Conclusion – At the time of this staff report was issued this request is still under evaluation. Additional information will be provided prior to the Council meeting.

**Council's Proposed list of pre-approved financial institutions authorized to act as
issuers of financial instruments to meet the Council's Retirement and Financial Assurance Standard**

Letter of Credit	Bond
Banco Stantander	Arch Insurance Company
Bank of America N.A.	CNA Financial
Bank of Nova Scotia (NY Agency)	Continental Casualty Company
Bank of the West	Federal Insurance Co
Barclay's Bank, PLC (NY Branch)	Fidelity & Deposit Co of MD
Citibank, N.A.	Hanover Insurance Group
CoBank	Liberty Mutual Insurance Company
<i>Deutsche Bank</i>	SAFECO Insurance Co of America
Helaba (NY Branch of Landesbank Hessen-Thuringen GZ)	Travelers Casualty & Surety Co of America
JP Morgan/Chase Bank, N.A.	Westchester Fire Insurance Co
<i>Mizuho Bank</i>	
MUFG Bank, N.A.	
Natixis (NY Branch)	
Royal Bank of Canada (NY Branch)	
Royal Bank of Scotland Connecticut Branch	
US Bank	
Wells Fargo Bank, N.A.	
Sumitomo Mitsui Banking Corporation (SMBC, NY Branch)	