

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 24-1240-INV

Public Utility Commission's general order defining A-rating for the purpose of letters of credit	
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Order entered: 04/25/2024

**ORDER CLARIFYING THE MEANING OF "A-RATED" STATUS FOR
FINANCIAL INSTITUTIONS ISSUING LETTERS OF CREDIT**

The Commission has opened this case to issue a general order clarifying the meaning of "A-Rated" status for financial institutions issuing letters of credit for Section 248 facilities.

Commission Rule 5.900 provides the decommissioning requirements for facilities constructed and operated pursuant to 30 V.S.A. § 248.¹ Rule 5.904(B) requires CPG holders of non-utility-owned facilities with greater than 500 kW of plant capacity to file and receive approval of an executed irrevocable standby letter of credit or alternative form of financial security. In addition to three other requisites, the letter of credit must be issued by an A-rated financial institution.

Recently, the Commission has requested additional information from CPG holders demonstrating that issuing banks for letters of credit qualify as A-rated financial institutions. In response, CPG holders have provided letters of credit from other financial institutions or alternative forms of financial security. Last week, the Commission received two inquiries requesting additional information about what qualifies as "A-rated" and whether there are any Vermont financial institutions that meet these criteria.

The purpose of the A-rated requirement is to determine the financial safety and soundness of the financial institutions issuing letters of credit to CPG holders.² A higher rating is typically associated with a lower risk of failure and a greater chance that the letter of credit can be drawn upon in the future. In implementing this requirement, the Commission did not intend

¹ 30 V.S.A. § 248(a)(5) requires that the Commission adopt rules regarding standard conditions on decommissioning to be included in certificates of public good for in-state facilities. Rule 5.900 was promulgated pursuant to this statutory directive.

² Generally, bank ratings consider various factors, including financial stability over time, capitalization levels, asset quality, earnings, the bank's ability to withstand economic stress, the strength of the management team, and governance.

that Vermont financial institutions be excluded entirely from eligibility to issue letters of credit for Section 248 facilities.


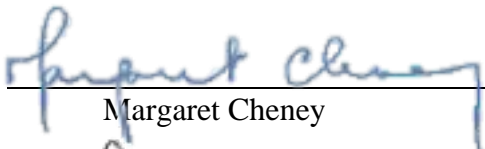
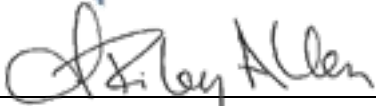
Thus, the Commission issues this guidance to clarify the types of support that could be provided by CPG holders to verify that the issuing financial institution is “A-rated.” Such evidence includes:

- Documentation from the financial institution that it has received a rating of “A” or greater from a third-party bank credit rating system such as Moody’s, Fitch, or Standard & Poor’s.
- Documentation that the financial institution has received a rating of “A” or greater from a third-party financial rating website such as <https://www.depositaccounts.com>.
- Documentation that the financial institution has received an “Outstanding” Community Reinvestment Act rating in its most recent rating as verified by the Federal Financial Institutions Examination Council’s Interagency CA Rating Search website, available at <https://www.ffiec.gov/craratings/>.

The Commission recommends submitting proof of A-rated status with the letter of credit that the CPG holder seeks to have approved by the Commission.

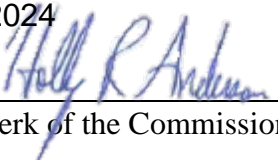
This order will be posted to the Commission’s webpage regarding letters of credit that can be found here: <https://puc.vermont.gov/electric/letter-of-credit>.

Dated at Montpelier, Vermont, this 25th day of April, 2024.

 _____)) PUBLIC UTILITY
Edward McNamara)	
_____)	
 _____)) COMMISSION
Margaret Cheney)	
_____)	
 _____)) OF VERMONT
J. Riley Allen)	

OFFICE OF THE CLERK

Filed: April 25, 2024

Attest: 

 Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

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