PG&E HEARING EXHIBIT PGE-11

A.20-04-023

PG&E'S SECURITIZATION 2020

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 1

INTRODUCTION – REBUTTAL

WITNESS: DAVID THOMASON

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
INTRODUCTION - REBUTTAL

TABLE OF CONTENTS

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
INTRODUCTION – REBUTTAL
WITNESS: DAVID THOMASON

A. The Proposed Securitization Is in the Public Interest, Meets All Legal Requirements, and Should Be Approved. [Issues 1, 2, 7(a)[1]]

As recognized by the Public Advocates Office (Cal Advocates), the Coalition of California Utility Employees (CUE), and the Governor, the proposed securitization transaction will promote PG&E's financial recovery, to the benefit of PG&E's customers. Securitization will enable PG&E to promptly move $6 billion in debt off its balance sheet, thereby advancing the goal the Commission articulated in the decision approving PG&E's Plan[2]:

> Consistent with PG&E's plan we expect PG&E to expeditiously pay down Temporary Utility debt over the projected five-year period and regain a closer alignment between aggregate utility debt and the amount of recoverable utility debt. PG&E may seek to achieve this th[r]ough its securitization application, A.20-04-023 filed April 30, 2020, its commitment to use Net Operating Losses to reduce leverage, its commitment to not pay common dividends for a time, or through other forms of deleveraging it may identify in the future.[3]

Several of the parties that recommend rejection or modification of the proposed Securitization previously urged the Commission to take steps to ensure that PG&E delever as quickly as possible. In the POR OII, these parties argued that too much leverage impairs credit strength and increases risk exposure and costs for the utility and its customers.[4] Expeditious delevering is precisely the outcome PG&E seeks to achieve with the proposed Securitization.

---

1 This and other "Issue" references in PG&E's Rebuttal Testimony correspond to the issues to be determined in this proceeding as set forth in the July 28, 2020 Assigned Commissioner's Scoping Memo and Ruling.

2 For this and the remaining chapters of rebuttal testimony, capitalized terms not defined within the chapter have the meaning ascribed in PG&E's application and the prepared testimony updated on August 7, 2020.

3 D.20-05-053, pp. 84-85.

4 See, for example, POR OII, Alliance for Nuclear Responsibility (A4NR) Opening Brief, p. 18; POR OII, City and County of San Francisco (CCSF) Opening Brief, p. 10; POR OII, Energy Producers and Users Coalition and the Indicated Shippers (EPUC-IS) Opening Brief, p. 26.

Securitization is more cost-effective (i.e., has more favorable interest rates) than traditional forms of utility financing and provides significant benefits with respect to PG&E's credit profile. Securitization will also accelerate the final $700 million payment to the Fire Victim Trust.

PG&E respectfully requests that the Commission make the determinations necessary to issue a financing order to authorize the proposed Securitization.

1. PG&E Has Demonstrated At Least $7.5 Billion in "Stress Test Costs."

PG&E's showing that it has at least $7.5 billion in "Stress Test Costs" under the Commission's approved Stress Test Methodology attributable to 2017 wildfires is largely unrebutted. Accordingly, PG&E respectfully submits that $7.5 billion is the amount that should be authorized for recovery through issuance of the Recovery Bonds.

2. PG&E Has Demonstrated That Securitization Supports and Accelerates the Path Back to Investment Grade.

PG&E's emergence from bankruptcy on July 1, 2020, its participation in the Go-Forward Wildfire Fund, its governance changes (including those adopted by the Commission in Decision (D.) 20-05-053), and its operational improvements have set PG&E on a path to achieve an investment-grade issuer credit rating. The testimony of Joseph Sauvage, Vice Chairman and Global Head of the Power Group at Citigroup Global Markets, demonstrates that the proposed Securitization will support and accelerate that path. As explained by Mr. Sauvage, the Commission's approval of the proposed Securitization will meaningfully improve PG&E's metrics under S&P's methodology; it will also signal a further improvement in the regulatory environment, as compared to a scenario in which the Commission does not approve securitization. As shown in Chapter 5, securitization will provide PG&E the opportunity to achieve an investment-grade issuer credit rating two years earlier than without securitization.

Cal Advocates and CUE agree that securitization will improve PG&E's credit profile and accelerate its path back to an investment-grade issuer credit rating.[5] Other parties' contrary contention is based on a misinterpretation of feedback from the rating agencies in connection with a

---

5 Cal Advocates, pp. 12-13; CUE-Earle, p. 1.

rating assessment process in March of 2020. As explained by Mr. Sauvage in Chapter 5, Stress Test Methodology – Rebuttal (D. Thomason; J. Sauvage) (Chapter 5 – Rebuttal), that feedback was limited to an assessment of the immediate impact of securitization on PG&E's credit ratings, and did not address longer-term impacts of securitization on the timing of an upgrade to investment grade, or on PG&E's business risk.

B. The Proposed Securitization Is Rate Neutral. [Issues 3, 4, 6]

Consistent with PG&E's commitment in the Chapter 11 cases and D.20-05-053, the proposed Securitization is designed to be rate neutral. Pursuant to PG&E's proposal, the Customer Credit is expected to not only equal the FRCs in each billing period, but to generate a substantial surplus, which PG&E proposes to share with customers. Table 1-1 in Chapter 1 summarized the expected values of the Customer Credit Trust, based on the testimony of Greg Allen of Callan LLC in Chapter 6, Customer Credit Mechanism and Investment Returns (D. Thomason; G. Allen). In his rebuttal testimony, Mr. Allen makes a small correction to the present value calculations, which are reflected below in Table 1-1A. According to Mr. Allen's rebuttal testimony, the nominal customer expected value of the proposed Securitization remains $990 million, but the net present value has decreased slightly, from $118 million to $116 million.[6] In Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell), Professor Brad Cornell calculates the expected value of the Securitization using a slightly different methodology than Mr. Allen, with similar results. Specifically, Mr. Allen calculated expected investment returns using percentile increments from 5 percent to 95 percent, while Professor Cornell calculates the expected values from all 2,000 trials in the Monte Carlo simulation model. As summarized in Table 1-2, Professor Cornell's method shows that the customer expected value of the Securitization is $1,048 million (nominal), or $121 million net present value (at a 7.34 percent discount rate)[7] – slightly higher than Mr. Allen's method.

---

6 This result is calculated by taking 25 percent of Mr. Allen's calculation of the expected value of the positive outcomes ($1,142 million is 25 percent of $4,566 million nominal; $136 million is 25 percent of $545 million NPV) minus the expected value of the negative outcomes ($152 million nominal, $20 million NPV).

7 *See* footnote 6 for calculation methodology.

TABLE 1-1A
EXPECTED VALUES OF POSITIVE AND NEGATIVE OUTCOMES, SURPLUS/(DEFICIT), INCLUDING PRINCIPAL TAX GROSS-UP – GREG ALLEN METHODOLOGY
(MILLIONS OF DOLLARS)

Line No.		Nominal Surplus (Deficit)	NPV[(a)] Surplus (Deficit)
1	Expected Value (EV)[(b)]	$4,414	$~~535~~525
2	EV Positive Outcomes	$4,566	$~~555~~545
3	EV Negative Outcomes	($152)	($20)
4	EV 25% of Positive, Minus Negative	$990	$~~118~~116

(a) Net present value was calculated using the authorized return on rate base of 7.34 percent.

(b) Where the expected value is equal to the difference between the expected value of the positive and negative outcomes.

TABLE 1-2
EXPECTED VALUES OF POSITIVE AND NEGATIVE OUTCOMES, SURPLUS/(DEFICIT), INCLUDING PRINCIPAL TAX GROSS-UP – BRAD CORNELL METHODOLOGY
(MILLIONS OF DOLLARS)

Line No.		Nominal Surplus (Deficit)	NPV[(a)] Surplus (Deficit)
1	Expected Value (EV)[(b)]	$4,858	$576
2	EV Positive Outcomes	$5,079	$607
3	EV Negative Outcomes	($221)	($30)
4	EV 25% of Positive, Minus Negative	$1,048	$121

(a) Net present value was calculated using the authorized return on rate base of 7.34 percent.

(b) Where the expected value is equal to the difference between the expected value of the positive and negative outcomes. The EV of negative outcomes includes interim shortfalls and repayments, if any.

1. Cal Advocates' Approach Confirms PG&E's Proposal Satisfies Rate Neutrality.

Although Cal Advocates asserts that PG&E's proposal is not rate neutral, it nevertheless confirms PG&E's proposal satisfies rate neutrality by recommending that the Commission authorize an alternative securitization transaction with the same probability of surplus, roughly 84 percent.[8]

[8] Cal Advocates recommends a lower securitization amount of $6 billion, which should not be adopted for the reasons set forth in Chapter 5 – Rebuttal.

2. Certain Parties Overstate the Risk to Customers.

Although there is some risk to customers, the risk is not nearly as great as parties claim, and is amply compensated by the benefits of the proposed Securitization. As explained in more detail in Chapter 6, Customer Credit Mechanism and Investment Returns – Rebuttal (D. Thomason; G. Allen) (Chapter 6 – Rebuttal) and Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell), the risk to customers is the risk of a shortfall in the Customer Credit Trust. Mr. Allen and Professor Cornell each show that the expected value of the 25 percent of the surplus exceeds, by a substantial margin, the value of the risk to customers.

Customers will also receive benefits from the lower cost of debt that will result from PG&E's improved credit profile, which will be significant in light of the substantial investment in rate base in the coming years. PG&E forecasts roughly $30 billion or more in capital investments from 2021 through 2024, and anticipates that substantial capital investments will continue into the future in connection with wildfire mitigation and grid modernization efforts.[9] PG&E's illustrative calculation, explained in more detail in Chapter 5 – Rebuttal, shows $441 million of nominal interest cost savings based on a two-year acceleration of PG&E achieving investment-grade issuer status. Although certain parties, including The Utility Reform Network (TURN)[10], take issue with PG&E's calculation, they do not dispute that customers will see concrete benefits as a result of PG&E's improved credit profile. PG&E has also agreed to waive any right to seek recovery in rates of 2017 wildfire claims costs other than through the proposed rate-neutral securitization.

While there is some uncertainty about the outcome, the uncertainty goes in both directions. The results could be better than the forecast presented

---

9 2020 Third Quarter Earnings Presentation (Oct. 29, 2020), p. 8, available at http://s1.q4cdn.com/880135780/files/doc_presentations/2020/10/PGE_Q3_2020-Earnings-Presentation_FINAL.pdf.

10 On the afternoon of November 10, 2020, the day before this testimony was due, TURN served revised testimony and workpapers from Mr. Ellis and errata testimony from Ms. Dowdell. There has not been time to evaluate those changes, or to address them in rebuttal testimony, and PG&E reserves the right to address those changes at a later date.

by PG&E. Moreover, the benefits are sufficiently large that the proposed Securitization transaction is beneficial to ratepayers under a wide range of outcomes, as explained further in Chapter 10, Expert Rebuttal Regarding Customer Benefits (B. Cornell).

a. PG&E's Forecast of Contributions to the Customer Credit Trust Is Reasonable.

PG&E has committed to fund the Customer Credit Trust with a $1.8 billion Initial Shareholder Contribution and up to $7.59 billion in Additional Shareholder Contributions. There is no risk to customers related to the $1.8 billion Initial Shareholder Contribution, which will immediately fund Customer Credits equal to the FRCs and is projected to do so until Additional Shareholder Contributions begin in 2024. Further, while there is some risk that PG&E's $7.59 billion in Additional Shareholder Contributions will be made more slowly than anticipated, there is also a possibility that the contributions will be made more quickly. The uncertainty relates to the timing of the Additional Shareholder Contributions, which is driven by PG&E's taxable income forecast and income tax rates. As set forth below and in Chapter 6 – Rebuttal, PG&E's forecast is reasonable, and perhaps conservative, based on historical rate base growth, the substantial capital investments PG&E will make in the coming years including those related to wildfire risk mitigation, and President-Elect Joseph Biden's proposed increase in the corporate tax rate. As shown in Chapter 6 – Rebuttal, the projected rate base growth underlying PG&E's forecast is consistent with historical rate base growth and projections of the other large investor-owned utilities in California.

b. The Projected Investment Returns Are Reasonable.

As described in Chapter 6 – Rebuttal, PG&E's projected returns for the Customer Credit Trust are based on reasonable and conservative assumptions provided by Greg Allen. In fact, the projected rates of return are lower than the 30-year annualized rates of return for observed periods going back to 1926. Moreover, the methodology for projecting investment returns is reasonable, and the projected returns for equity and fixed income are conservative, in light of those used for funding the Nuclear Decommissioning Trusts (NDTs) that have operated successfully under Commission oversight for many years and have previously been accepted by the Commission. Mr. Allen also prepared an appropriate set of comparable investment returns, which further underscore that Callan's investment returns are reasonable and conservative.

c. The Conditions Proposed by Other Parties Are Unnecessary and Infeasible.

Other parties ask the Commission to place various conditions on the securitization transaction. These conditions undermine the benefits of the proposed Securitization, are unnecessary, and/or are infeasible.

Some parties argue that the Commission should require a dollar-for-dollar credit. If PG&E were to guarantee a dollar-for-dollar credit, S&P would likely treat it as an enforceable contractual commitment and therefore treat the securitization transaction as on-credit.[11] That would preclude the forecasted improvement in financial metrics and undermine key benefits of the securitization transaction.

Other parties argue that the Commission should require PG&E to use proceeds from the Securitization to fund the Customer Credit Trust, and/or to otherwise leave in place some or all of the $6 Billion Temporary Utility Debt.[12] Such proposals undermine the shared goal of deleveraging articulated in D.20-05-053, which benefits both PG&E and its customers, and delay improvement of PG&E's financial metrics and, as a result, the path back to investment-grade. The proposed use of proceeds to fund the Customer Credit is not appropriate under the statute, and, in any event, is not necessary because the Customer Credit Trust is anticipated to end up with a substantial surplus that will be shared with customers.

---

11 Certain parties, including the California Large Energy Consumers Association (CLECA) and Wild Tree Foundation (Wild Tree) recognize that such a guarantee would likely be treated as on-credit. CLECA-Yap, p. 14; Wild Tree-Rothschild, p. 12.

12 CLECA-Yap, p. 14; Cal Advocates, p. 14.

A few parties argue that the Commission should require PG&E's proposal to yield a 95 percent or even 99.995 percent probability of surplus.[13] These parties implicitly recognize that a Securitization that involves some risk to customers is acceptable and consistent with the neutrality concept. But their recommendation to reduce the probability of loss is arbitrary. Moreover, their proposals are not feasible because they would make the proposed Securitization prohibitively expensive,[14] and would undermine deleveraging and the benefits of the transaction. Such conditions also are not necessary to satisfy rate neutrality because the Customer Credit is expected to not only equal the FRCs, but to generate a substantial surplus.

The Alliance for Nuclear Responsibility (A4NR) contends that the $7.59 billion in Additional Shareholder Contributions should not be considered as a shareholder contribution because the Commission has determined that the NOLs should be credited to ratepayers.[15] In its decision approving PG&E's Plan, however, the Commission expressly contemplated that PG&E could apply the monetized value of the NOLs to amortize the $6 Billion Temporary Utility Debt (if Securitization were not approved).[16] The Securitization is a more efficient means of financing the NOLs. This conclusion is logical and consistent with Commission precedent holding that the tax deductions associated with disallowed costs belong to shareholders.[17] A4NR's citations do not support its contrary position. In D.19-06-027, the Commission stated that it retained discretion to preserve for the benefit of customers NOLs

---

13 See, for example, A4NR-Geesman, p. 30; TURN-Ellis, p.24-26.

14 For example, TURN argues that the $1.8 billion Initial Shareholder Contribution should be increased by more than $4 billion. TURN-Ellis, p. 24.

15 A4NR-Geesman, p. 22.

16 D.20-05-053, pp. 84-85 ("we expect PG&E to expeditiously pay down Temporary Utility debt … through its securitization application … [and] its commitment to use Net Operating Losses to reduce leverage…").

17 D.14-08-032, p. 584 ("The Commission also determined that when deductions were not part of utility cost of service, but were generated with shareholder funds, the deductions are the property of shareholders and not ratepayers. This included deductions derived from disallowed costs incurred in excess of those included in rates, as well as deductions for discretionary uses of net earnings by shareholders.").

associated with losses from events that resulted in rate recovery under the Stress Test.[18] That is exactly what PG&E's application does: it gives customers the benefit of not just the NOLs associated with the 2017 wildfires costs being securitized, but an even larger amount of NOLs, through the Additional Shareholder Contributions to the Customer Credit Trust. A4NR's assertions to the contrary are no more persuasive now than they were when A4NR made them to the Commission in the POR OII. A4NR's reliance on D.20-05-019 is likewise misplaced. There, the Commission allocated to customers the benefits of certain NOLs associated with disallowed operating expenses. In portions of that decision A4NR does not quote, however, the Commission made clear that this determination was justified only because the disallowances were penalties.[19] That reasoning does not apply to the wildfire claims costs, which are disallowed by virtue of PG&E's agreement and not as a penalty.

3. Neutrality Does Not Involve a Comparison of Customer to Shareholder Benefits.

Some parties assert that the Commission should deny the application, or should require changes that benefit customers, because the Securitization will result in greater benefits to shareholders than to

---

18 D.19-06-027, App'x A at p. 14.

19 D.20-05-019, p. 44 ("The argument that the tax benefit provision is contrary to Commission precedent is not persuasive. PG&E argues that the Commission's general rule is 'that when deductions were not part of utility cost of service, but were generated with shareholder funds, the deductions are the property of shareholders and not ratepayers. This include[s] deductions derived from disallowed costs incurred in excess of those included in rates.' Although this general rule may apply in rate cases such as those cited by PG&E, it does not necessarily apply to penalties. Penalties are intended to punish and deter unlawful conduct. Therefore, the Commission may find that it is not appropriate for disallowances or expenditures intended as penalties to be treated as they would ordinarily be treated for ratemaking purposes." (footnotes omitted). *See also id.* at pp. 45-46 "The financial obligations adopted in this decision are intended as penalties for the purpose of punishment and deterrence, and therefore, it is not appropriate for these expenditures to be treated as they would be treated during the course of ordinary business. In order for the financial obligations adopted in this decision to have the appropriate punitive and deterrent impact, the Commission finds that ratepayers, rather than shareholders, should receive the benefit of any tax savings associated with these financial obligations.") and p. 47 ("This will ensure that ratepayers, not PG&E shareholders, benefit from the tax savings associated with treating the penalty as an ordinary business expense.").

customers. The City and County of San Francisco (CCSF), for example, assert that "shareholder benefits exceed ratepayer benefits."[20] TURN argues that the securitization is a "windfall" to shareholders in the form of a lower cost to finance wildfire liabilities.[21] TURN further notes that shareholders benefit from the tax deduction on the Securitized Bonds.[22]

These arguments are misplaced. Consistent with Commission precedent approving transactions that do not harm customers,[23] the Commission should approve the Securitization if it finds that the transaction is "neutral" to customers.[24] PG&E has shown that the Securitization is not

---

20 CCSF-Meal, p. 28 and Figure 1.

21 TURN-Dowdell, p. 22. A4NR appears to make a similar suggestion, noting that the Securitization reduces the annual revenue requirements by $6.7 billion over 30 years. A4NR-Geesman, p. 26, lines 16-19. This comparison is based on Chapter 7, Comparison of Traditional Financing and Securitization (D. Thomason), which presents the statutorily required comparison to the cost of financing the principal amount at the utility's authorized return on rate base. That comparison is inapt here, however, because the alternative to Securitization is to refinance the $6 Billion Temporary Utility Debt. In no scenario would PG&E earn an equity return on this amount. Although A4NR asserts in testimony that ratepayers should be compensated because the Securitization reduces "revenue requirements," A4NR acknowledged in a data response that no portion of the $7.5 billion that PG&E seeks to securitize would be recovered in rates if the proposed Securitization were denied. A4NR's Response to Data Request PGE_A4NR002, Question 23a, dated Nov. 3, 2020.

22 TURN-Ellis, p. 3. TURN further claims that this deduction results in a higher effective interest rate on the Recovery Bonds paid by customers. This argument is flawed because customers are not paying the interest on the bonds as long as the Customer Credit equals the FRC. In the unlikely event the Customer Credit does not equal the FRC, customers would receive the benefit of the interest deduction. This point is discussed further in Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell), at pages 10-20 to 10-21.

23 *See*, for example, Commission decisions reviewing proposed transactions under Sections 851 and 854. D.18-07-015, pp. 7-8 ("The primary question in a transfer of control proceeding under § 854(a) is whether the transaction will be 'adverse to the public interest.'"); D.04-08-018, p. 5 ("California reaps enormous benefits from the services provided by public utilities. Thus, it is in the public interest to foster a business climate in California that is hospitable to utilities. Accordingly, ordinary transactions that are subject to Section 854(a) . . . should be approved absent a compelling reason to the contrary."); D.09-10-056, p. 15 (same); *see also* D.19-03-024, p. 9 ("Section 851 does not specify the standard by which the Commission is to review such requests. In previous Commission decisions, the Commission has a long-standing policy to apply the standard of 'not adverse to the public interest' as a standard of review for applications requesting approval under Pub. Util. Code § 851.").

24 *See* Assigned Commissioner's Scoping Memo and Ruling (Mar. 8, 2019) A.18-12-009, Issue 3.

just neutral, but is actually beneficial for customers. PG&E acknowledges that the Securitization also benefits shareholders, for example, by reducing leverage (which also benefits customers) and by more efficiently monetizing the NOLs. But the extent of those shareholder benefits, either in absolute terms or relative to customer benefits, is not a basis to reject or revise PG&E's proposal.

C. PG&E's Proposed Capital Structure Adjustments Are Appropriate. [Issue 8]

PG&E has requested certain capital structure adjustments related to the securitization transaction. These adjustments are appropriate and should be approved in this proceeding.

- Securitized Debt. PG&E's proposal to exclude the securitized debt from its ratemaking capital structure even though it will appear on PG&E's consolidated financial statements is consistent with Commission precedent. In the 2006 cost of capital proceeding, the three large investor-owned utilities confirmed that previously-issued securitized bonds, including energy recovery bonds (ERBs) and rate reduction bonds (RRBs), were appropriately excluded from their ratemaking capital structures because they were not financing assets in rate base.[25] This same approach has been adopted by the Commission in the decision issued in the Southern California Edison Company securitization proceeding, Application (A.) 20-07-008.[26]
- Equity Adjustment. PG&E proposes to exclude from its ratemaking capital structure any non-cash accounting charges related to future revenue credits associated with the Customer Credit Trust. These

---

25 2006 Cost of Capital Supplemental Testimony by PG&E in A.05-05-006; Southern California Edison in A.05-05-011; and San Diego Gas & Electric Company in A.05-05-012.

26 D.20-11-007 (Nov. 10, 2020), pp. 68, 126 (Ordering Paragraph 51: "Recovery Bonds shall be excluded from Southern California Edison Company's ratemaking capital structure.").

charges will not affect equity that is used to finance rate base, and as such are properly excluded.[27]

The sole party to object in its prepared testimony to the requested capital structure adjustments is A4NR.[28] A4NR asserts that the Commission should require a dollar-for-dollar rate credit, which A4NR characterizes as a contingent liability that should be reflected in the capital structure. For reasons stated elsewhere, the Commission should not adopt A4NR's recommendation for a dollar-for-dollar credit. A4NR's testimony does not address the adjustments to the capital structure PG&E has proposed for its proposed Securitization. A4NR cites an exchange from the hearings in the POR OII,[29] and asserts that PG&E's "request to extend the temporary waiver granted by D.20-05-053 to 2050 would turn [that exchange] upside down."[30] PG&E's primary request in this proceeding, however, is not an extension of the temporary waiver granted by D.20-05-053. Instead, PG&E is requesting approval for a method of calculating its regulated capital structure that appropriately reflects how its rate base is financed.[31] The context for the quoted exchange was the hypothetical assumption that the Commission did not grant the securitization application. It does not address the adjustments to the regulated capital structure if the Commission does grant the application. Accordingly, PG&E respectfully requests that the Commission approve the requested capital structure adjustments.

---

27 *See* PG&E Prepared Testimony (Updated), Chapter 1, pp. 1-16 to 1-17. The equity charge and corresponding adjustment would be the after-tax amount of the accelerated GAAP accounting charges. Those charges have not yet been determined. As an illustration, if the charges were $1.8 billion + $7.59 billion = $9.39 billion, then the after-tax amount of $6.76 billion would be added back to equity.

28 CUE supports exclusion of the securitized debt from PG&E's ratemaking capital structure. *See* CUE-Earle, pp. 8-10.

29 POR OII, William Johnson Examination (Feb. 26, 2020), pp. 267:18-268:1 (indicating that PG&E would plan to request a permanent waiver in the capital structure condition if securitization is not approved).

30 A4NR-Geesman, p. 36.

31 If the Commission does not grant the requested approval, then, in the alternative, PG&E requests an extension of the waiver for the life of the Recovery Bonds. *See* PG&E Prepared Testimony (Updated), Chapter 1, p. 1-17 footnote 29.

D. Overview of Additional Testimony

1. Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell)

This Chapter contains the testimony of expert Brad Cornell, a Professor Emeritus of Finance at the University of California at Los Angeles. Presenting an economic analysis that looks at the expected value of the transaction as a whole, Professor Cornell rebuts intervenors' calculations relating to customer risks and benefits, and opines that the proposed Securitization has a substantial net positive value to PG&E's customers. As part of that analysis, Professor Cornell critiques intervenors' approach to discounting separate payment streams to a net present value.

2. Chapter 11, Rebuttal Regarding Load Growth (J. Berman)

This Chapter responds to TURN's assumption of nearly zero load growth from 2025 to 2050 in connection with the alternative taxable income forecast it presents in prepared testimony and its critique of PG&E's taxable income forecast. The California Energy Commission 2019 forecasts cited by TURN reflect anticipated electric and gas demand through 2030 and do not address load growth beyond 2030. Moreover, there is good reason to anticipate significant increased electric load growth over the long term as California continues to ramp up efforts to meet its ambitious Greenhouse Gas emission reduction targets, including through transportation and building electrification.

3. Appendix A Supplement: Statements of Qualifications

This supplement to Appendix A sets forth the qualifications of the additional witnesses sponsoring rebuttal testimony in support of this application.

4. Appendix B: Data Responses Cited in PG&E Rebuttal Testimony

This appendix contains excerpts of questions and answers in data request responses that are cited in PG&E's Rebuttal Testimony.