PG&E HEARING EXHIBIT PGE-43

A.20-04-023

PG&E’S SECURITIZATION 2020

Citigroup Study Finds FA to Texas Saved $17 Million for Ratepayers
(Sept. 17, 2003 email)

X-Original-To: jfichera@saberpartners.com
Delivered-To: jfichera@saberpartners.com
Subject: TX savings summary (revised)
Date: Fri, 19 Sep 2003 17:44:00 -0400
X-MS-Has-Attach: yes
X-MS-TNEF-Correlator:
Thread-Topic: condensed tx summary
Thread-Index:
AcN+zmsexn2mV2xHRPiWg+ijmPYVMAAFJHRgAAMMvGAAAZ4J8A==
From: "Donskaya, Marina [FI]" <marina.donskaya@citigroup.com>
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X-Scanned-By: MIMEDefang 2.36

Joe, please use this version (instead of the one sent at 5 pm) as we revised cc savings per year (excluded tranches past 10 years) and added a paragraph on methodology used.

-----Original Message-----

Joe,

As discussed, we've revised our analysis to use actual coupons (instead of implied coupons) as a discount rate. I also wanted to note that we used average life (instead of duration) when calculating savings per year. Finally, we included both savings against other RRBs and against credit cards in the attached file (both including and excluding WMECO and PSNH).

In our methodology, we looked at the average spread to swaps for all transition bonds other than Texas deals in different average life buckets. The savings for each Texas deals are based on the difference between the average spread to swap and the Texas deal's spread to swap. The bps savings was then used to increase the coupon of the Texas bonds ("implied coupon") and calculate a new set of interest payments. The difference between the new interest payments and the original interest payments yield the dollar savings. These savings were then PV'ed back using the actual coupon as the discount rate.

The analysis looking at credit card differentials used the same methodology. Except, instead of looking at the average spread to swap, we looked at the average difference in spread to credit cards.

To summarize, the difference in total savings vs other transition bonds (excludes WMECO and PSNH) are as follows:

Reliant: $3,773,775 or 6.5 bps/yr (nominal), $2,955,295 or 5.1 bps/yr (PV)

CPL: $12,951,663 or 20.3 bps/yr (nominal), $9,748,976 or 15.3 bps/yr (PV)
Oncor: $6,629,694 or 19.4 bps/yr (nominal), $5,278,[illegible]9 or 15.4 bps/yr (PV)
Total: 23,355,132 (nominal), 17,982,941 (PV)

The difference in total savings vs CC differentials were (excluding any tranches over 10 years):

Reliant: $2,009,392 or 10.8 bps/yr (nominal), $1,717,547 or 9.2 bps/yr (PV)
CPL: $5,167,226 or 13.2 bps/yr (nominal), $4,133,597 or 10.6 bps/yr (PV)
Oncor: $2,018,929 or 10.9 bps/yr (nominal), $1,725,982 or 9.3 bps/yr (PV)
Total: 9,195,546 (nominal), 7,577,127 (PV)

The savings, using credit card methodology, are comparable to the savings on the transition bonds as calculated using the average spread to swaps for all transition bonds for the tranches 10 yr and under.

Attached is an updated version of our analysis.

Please let us know if you have any additional questions.

Thank you.

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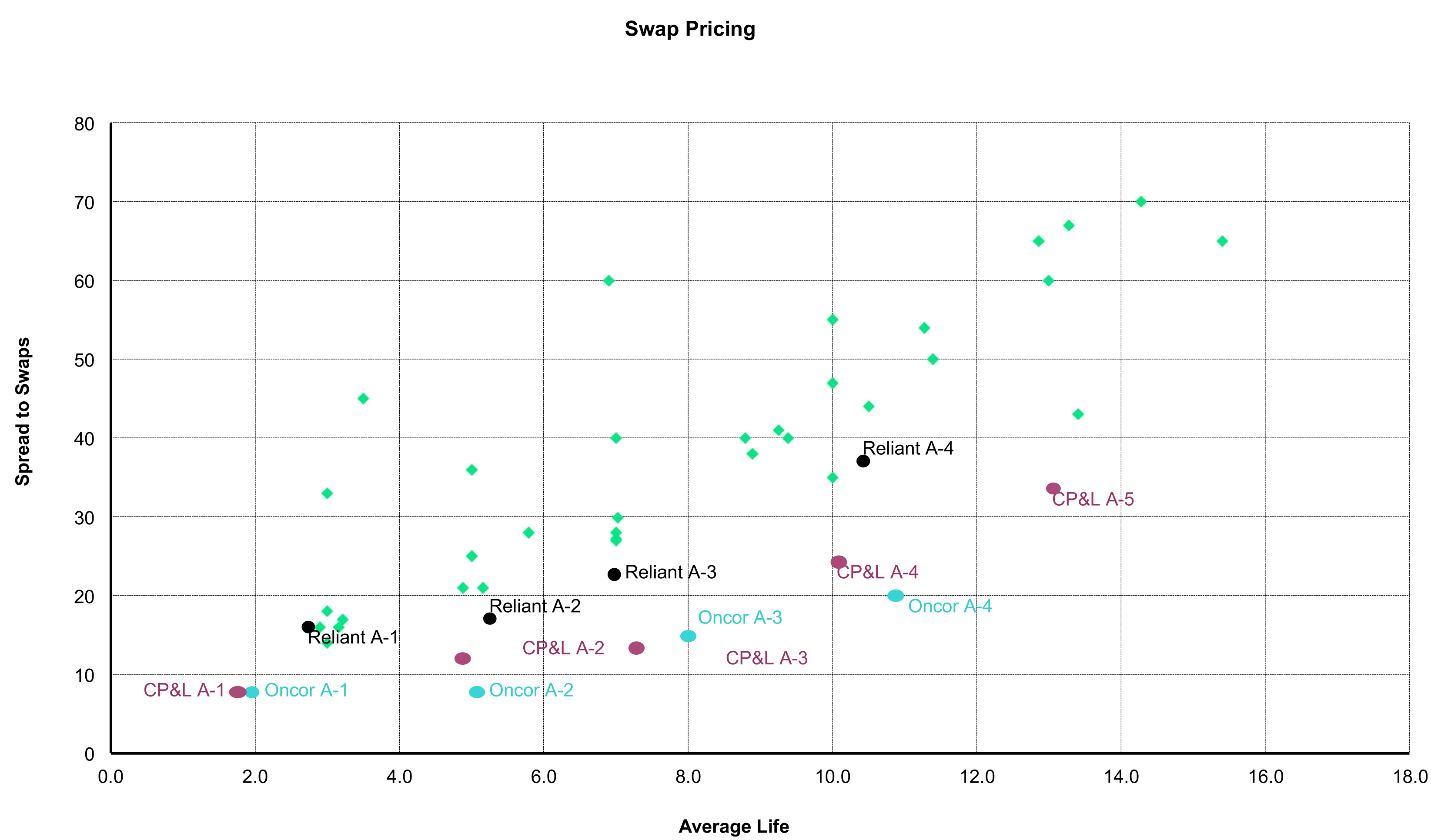

Swap Pricing
Spread to Swaps
80
70
60
50
40
30
20
10
0
0.0
2.0
4.0
6.0
8.0
10.0
12.0
14.0
16.0
18.0
Average Life
Reliant A-1
Reliant A-2
Reliant A-3
Reliant A-4
CP&L A-1
CP&L A-2
CP&L A-3
CP&L A-4
CP&L A-5
Oncor A-1
Oncor A-2
Oncor A-3
Oncor A-4

Presentation to:

SABER PARTNERS, LLC
ADVISORS & INVESTORS

TEXAS TRANSITION BOND ANALYSIS

September 12, 2003

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Regression Analysis of Texas Transition Bond Spreads

SPREAD TO SWAPS REGRESSION LINE (USED IN SAVINGS ANALYSIS): Y = 2.9021X + 5.7598

Reliant Energy 2001-1

	A-1	A-2	A-3	A-4
Size (in millions)	$115.0	$118.0	$130.0	$385.9
WAL	2.71	5.29	7.19	10.29
Implied Y Value	14	21	27	36
Actual Pricing	16	17	22	37
Difference in bps	**(2)**	**4**	**5**	**(1)**

Central Power and Light 2002-1

	A-1	A-2	A-3	A-4	A-5
Size	$129.0	$154.5	$107.1	$214.9	$191.9
WAL	1.90	4.70	7.30	10.00	13.00
Implied Y Value	11	19	27	35	43
Actual Pricing	7	11	14	24	34
Difference in bps	**4**	**8**	**13**	**11**	**9**

Oncor Electric Delivery Transition Bond 2003-1

	A-1	A-2	A-3	A-4
Size	$104.0	$122.0	$130.0	$144.0
WAL	2.00	5.00	8.00	10.83
Implied Y Value	12	20	29	37
Actual Pricing	7	7	16	19
Difference in bps	**5**	**13**	**13**	**18**

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Economic Savings Captured by Texas Transition Bonds

Reliant Energy 2001-1

Tranche	Size	WAL	Coupon	Bp Difference	Implied Coupon
A-1	115.0	2.71	3.84%	(2)	3.82%
A-2	118.0	5.29	4.76%	4	4.80%
A-3	130.0	7.19	5.16%	5	5.21%
A-4	385.9	10.29	5.63%	(1)	5.62%
	$748.9	7.78			

- **Savings: $213,045**
- Bps: 0.37/year

Central Power and Light 2002-1

Tranche	Size	WAL	Coupon	Bps Difference	Implied Coupon
A-1	129.0	1.90	3.54%	4	3.58%
A-2	154.5	4.70	5.01%	8	5.10%
A-3	107.1	7.30	5.56%	13	5.69%
A-4	214.9	10.00	5.96%	11	6.07%
A-5	191.9	13.00	6.25%	9	6.34%
	$797.3	8.02			

- **Savings: $3,949,077**
- Bps: 6.18/year

Oncor Electric Delivery Transition Bond 2003-1

Tranche	Size	WAL	Coupon	Bps Difference	Implied Coupon
A-1	104.0	2.00	2.26%	5	2.31%
A-2	122.0	5.00	4.03%	13	4.16%
A-3	130.0	8.00	4.95%	13	5.08%
A-4	144.0	10.83	5.42%	18	5.60%
	$500.0	6.85			

- **Savings: $3,371,354**
- Bps: 9.84/year

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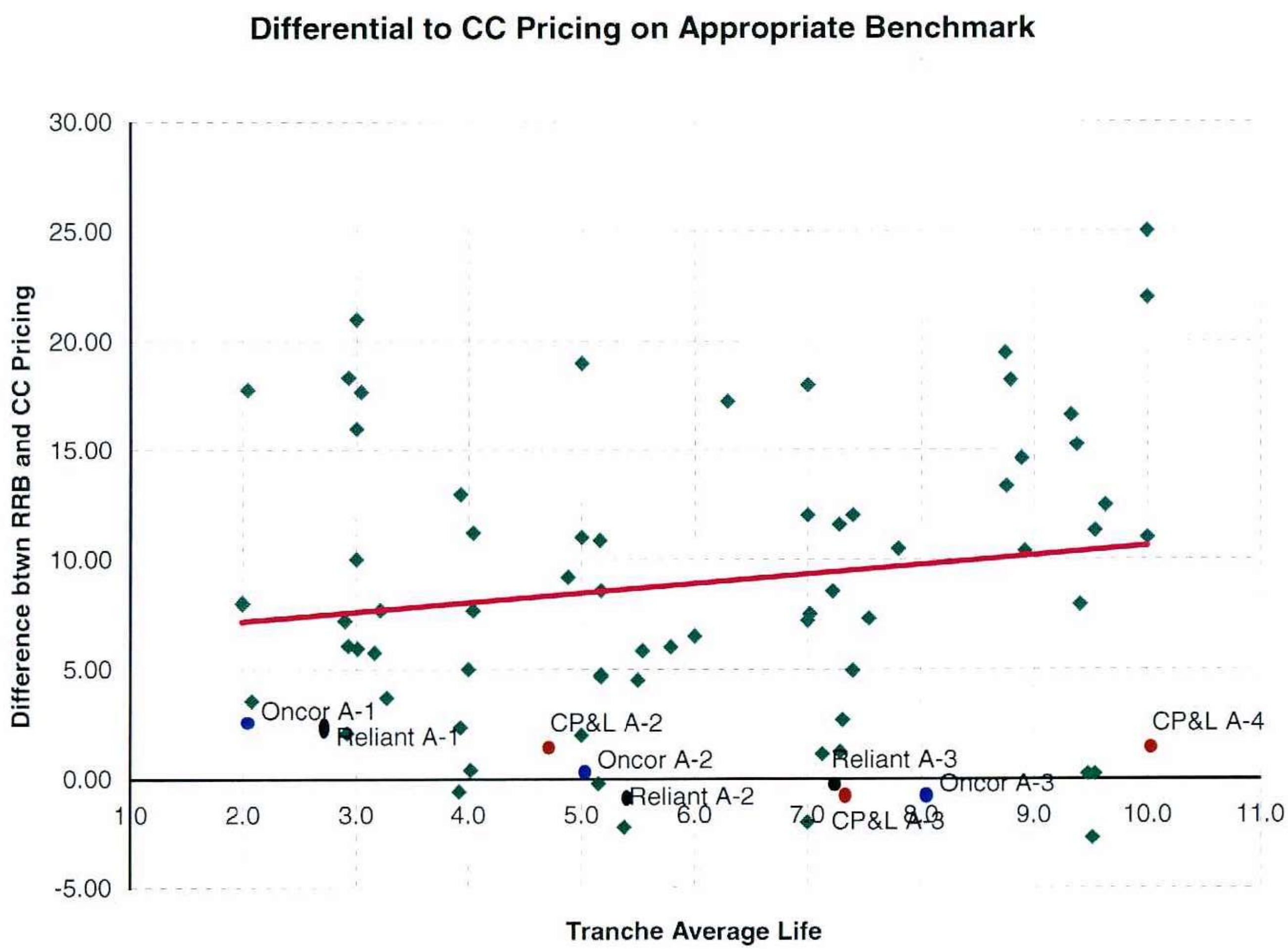
Pricing Differential to Credit Card Spreads: Texas Advantage



Docket No. 150171-EI
Witness: Sutherland
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Docket No. 150171-EI
Witness: Sutherland
Exhibit No. ____ (PS-7a)
2003 Citigroup Study
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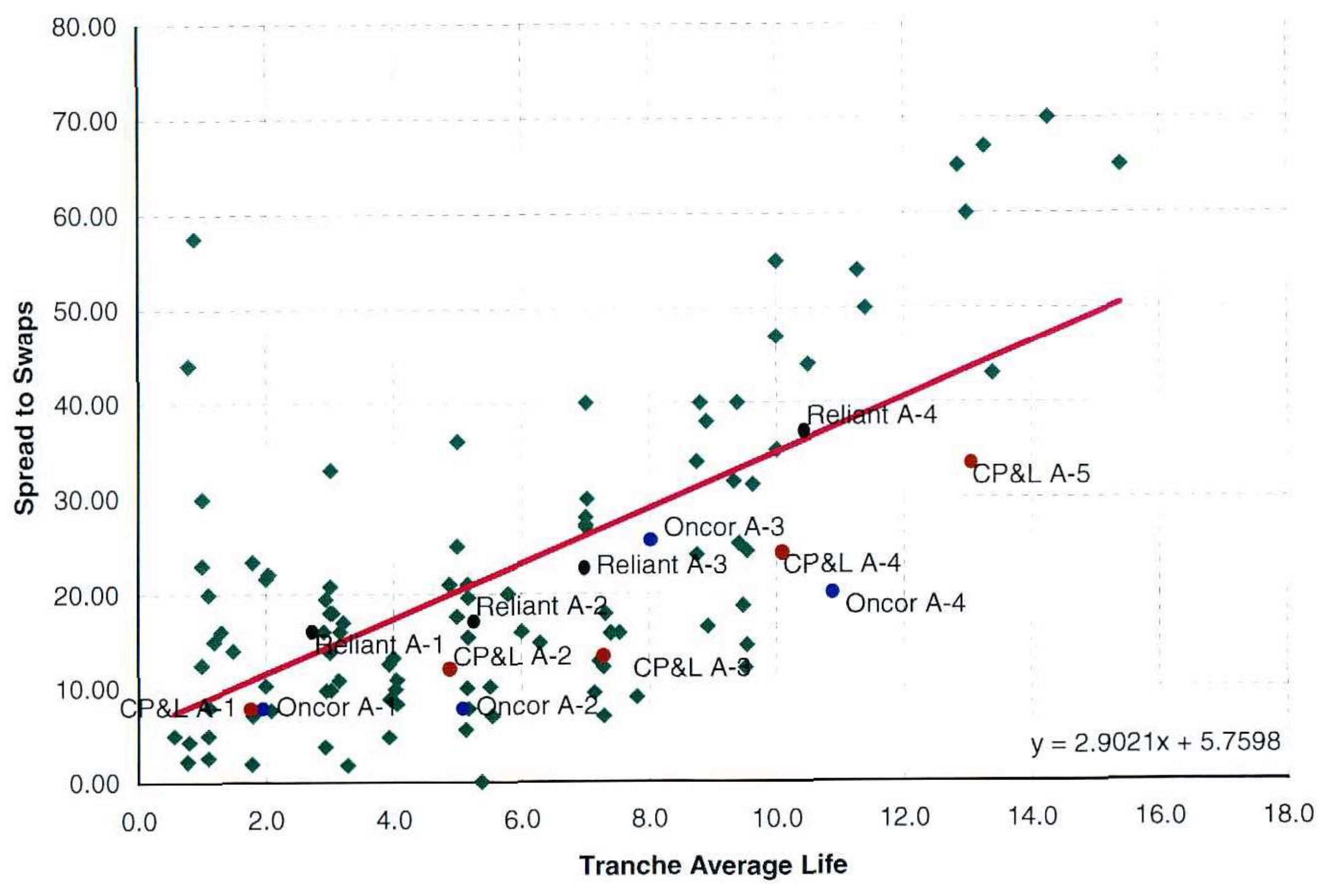
Regression Analysis: Spread to Swaps

Tranche Average Life vs. Spread to Swaps



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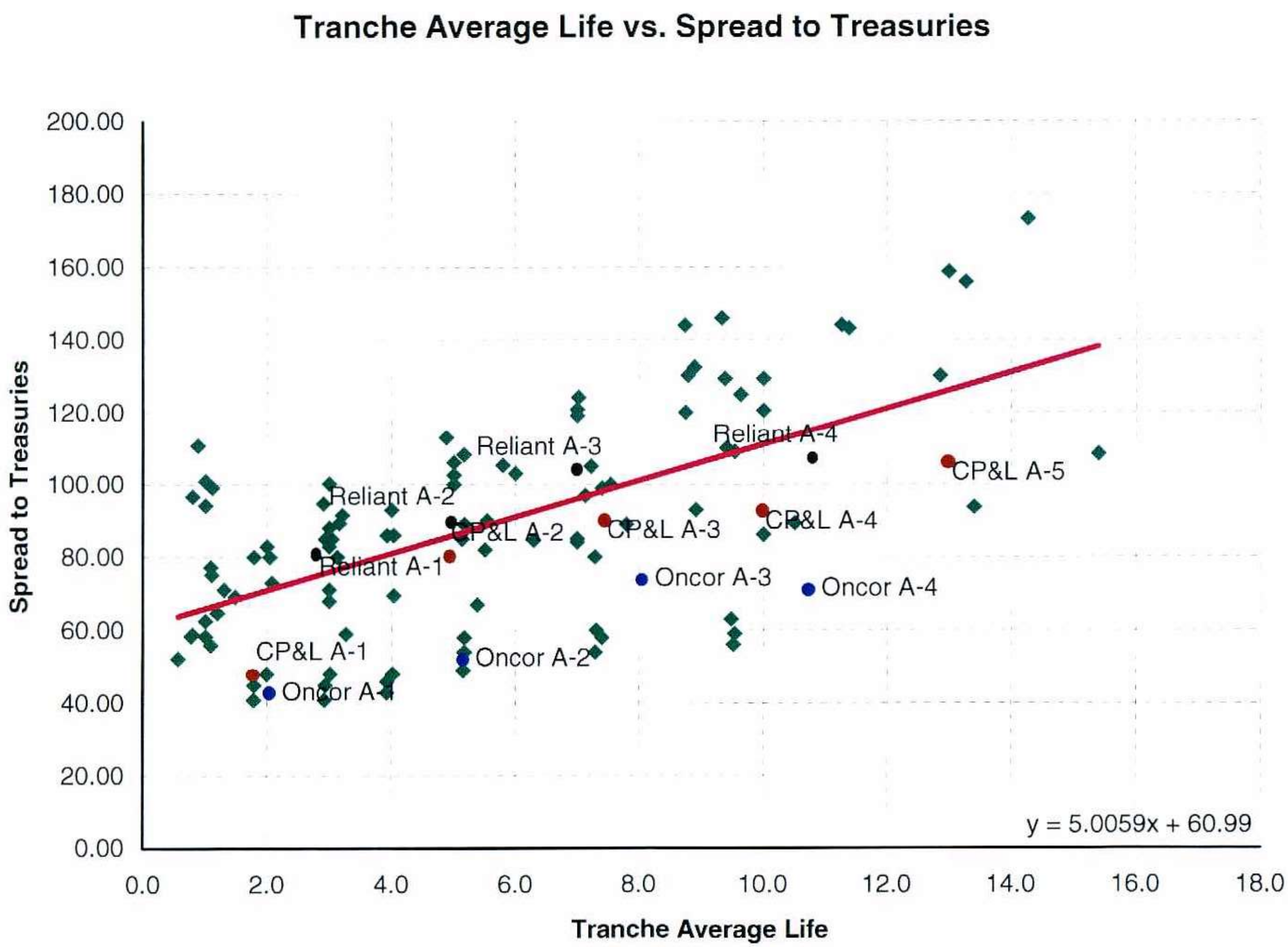
Regression Analysis: Spread to Treasuries



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Methodology

SPREAD TO SWAPS (USED IN SAVINGS ANALYSIS)

- Includes stranded cost transactions completed from November 1997 to year-to-date.
- Transactions priced against Treasuries (prior to April 2000) were converted to spreads to Swaps using the following formula:

  Spread to Swaps = Spread to Treasury + Treasury Yield - Swap Rate

- For all transactions, except for Texas RRB transactions, swap pricing was plotted on Y-axis against average life (X-axis) by tranche.
- Regression line generated calculates a representative spread at a given average life.
- Texas transactions are specifically identified to underscore whether they fall below the regression line.

SPREAD TO TREASURIES

- Includes stranded cost transactions completed from November 1997 to year-to-date.
- Transactions priced against Swaps (post April 2000) were converted to spreads to Treasuries using the following formula:

  Spread to Treasury = Spread to Swaps + Swap Rate - Treasury Yield

- For all transactions, except for Texas RRB transactions, treasury pricing was plotted on Y-axis against average life (X-axis) by tranche.
- Regression line generated calculates a representative spread at a given average life.
- Texas transactions are specifically identified to underscore whether they fall below the regression line.

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Methodology *(Continued)*

DIFFERENTIAL TO GENERIC CREDIT CARD SPREADS

- Includes stranded cost transactions completed from November 1997 to year-to-date. Transactions priced to Treasuries were compared to generic credit card spreads also priced to Treasuries. Transactions priced to Swaps were compared to generic credit card spreads also priced to Swaps.
- Plotted the differential between credit card spreads and stranded cost transaction spreads (other than Texas RRB transactions) on the Y-axis against the average life (X-axis) by tranche.
- Tranches with average life less than 2 years and over 10 years were not used in this analysis due to the lack of reliable credit card spreads for those tails.
- Regression line generated calculates a representative spread differential at a given average life.

SAVINGS CALCULATIONS

- By generating spread to Swaps regressions lines, we were able to find a representative spread at a given average life.
- By using such spread, we calculated implied coupon (by tranche) for Texas transactions.
- Savings were calculated by subtracting PV of actual cash flows from PV of cash flows built based on implied coupons.

  PV actual = PV (actual weighted average yield, actual cash flows)

  PV implied = PV (actual weighted average yield, implied cash flows)
- Savings in bps per annum were calculated by dividing savings by deal size by weighted average life.

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