



Pacific Gas and Electric Company Securitization

A. 20-04-023

TURN HEARING EXHIBIT

TURN-23

PG&E's Response to TURN Data Request 3-1

**PACIFIC GAS AND ELECTRIC COMPANY
 Securitization 2020
 Application 20-04-023
 Updated Data Response**

PG&E Data Request No.:	TURN_003-Q01-06		
PG&E File Name:	Securitization2020_DR_TURN_003-Q01-06Updated		
Request Date:	June 17, 2020	Requester DR No.:	003
Date Sent (Original):	July 1, 2020	Requesting Party:	The Utility Reform Network
Date Sent (Updated):	August 7, 2020		
PG&E Witness:	Q1a.-b.: Joseph Sauvage Q1c.-d.: David Thomason Q1e.-j.: Joseph Sauvage Q2-Q3: Joseph Sauvage Q4: David Thomason Q5: Joseph Sauvage Q6: David Thomason	Requester:	Thomas Long

GENERAL OBJECTIONS

1. PG&E objects to each request to the extent it seeks information protected from disclosure by the attorney-client privilege, the attorney work-product doctrine, or any other privilege or protection from disclosure. PG&E intends to invoke all such privileges and protections, and any inadvertent disclosure of privileged or protected information shall not give rise to a waiver of any such privilege or protection.
2. These responses are made without waiving PG&E's rights to raise all issues regarding relevance, materiality, privilege, or admissibility in evidence in any proceeding. PG&E reserves the right, but does not obligate itself, to amend these responses as needed based on any changes to PG&E's Application or the proposed securitization structure.
3. PG&E incorporates each of these General Objections into each of its responses below. Each of PG&E's responses below is provided subject to and without waiver of the foregoing objections and any additional objections made below.

QUESTION 01

In PG&E's Testimony, p. 1-2, PG&E states: "The proposed Securitization would strengthen PG&E's credit metrics and expedite its path back to an investment-grade issuer credit rating to the benefit of all stakeholders, including customers."

- a. Please provide all analyses that quantify the monetary value to ratepayers of strengthened credit metrics or an expedited path back to an investment-grade rating resulting from the proposed Securitization, including all documents supporting all such analyses.
- b. If not provided in response to "a" above, please provide all analyses that describe the monetary value to ratepayers of strengthened credit metrics or an expedited path back to an investment-grade rating resulting from the proposed Securitization, including all documents supporting all such analyses.
- c. Please provide any documents PG&E has received from credit rating agencies, investors, or other financial experts regarding the implications of PG&E's proposed securitization for its credit ratings.
- d. Please provide any documents PG&E has received from credit rating agencies, investors, or other financial experts regarding the implications of PG&E's proposed securitization for customer costs or rates.
- e. Does PG&E contend that, absent achieving a formal credit rating upgrade (to investment grade issue ratings) by rating agencies, there is a benefit to ratepayers or other monetary value (e.g. savings in interest costs) associated with strengthening PG&E's credit metrics.
- f. If the answer to part "e" above is anything other than an unqualified "no," please explain and provide PG&E's best estimate of the value of strengthening PG&E's credit metrics absent a formal rating upgrade and all documents supporting such estimate.
- g. Does PG&E contend that there is a benefit to ratepayers or other monetary value in PG&E obtaining an upgrade to a "split" credit rating, where one major agency rates PG&E investment grade and the other rates PG&E below investment grade?
- h. If the answer to "g" above is anything other than an unqualified "no," please provide PG&E's best estimate of the value associated with PG&E obtaining an upgrade to a split rating and all documents supporting such estimate.
- i. Does PG&E contend that the value of an upgrade to a split credit rating as described in "g" is equal to the value of an upgrade by both major credit ratings agencies. If so, why?
- j. If the answer to "i" above is anything other than an unqualified "yes," please explain and quantify PG&E's best estimate of the differences in value between a split upgrade and an upgrade by both agencies.

ANSWER 01

PG&E objects to this request as vague, ambiguous and overbroad. PG&E further objects to this request as seeking information protected by the attorney-client privilege and/or attorney work product doctrine. PG&E's response excludes any privileged information or attorney work product. Subject to its objections, PG&E responds as follows:

a., b. Following the June 15, 2020 assignment of credit ratings for PG&E by Standard & Poor's Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch), and the Utility's recent issuance of debt in anticipation of emergence from Chapter 11, PG&E has addressed in updated prepared testimony the benefits of improved credit metrics and an accelerated path back to an investment-grade issuer credit rating. PG&E refers TURN to Chapter 5, Stress Test Methodology (D. Thomason; J. Sauvage), served August 7, 2020, at Section F.3.

c. PG&E refers TURN to Exhibits 5.6 through 5.8 to Chapter 5, Stress Test Methodology (D. Thomason; J. Sauvage), served on August 7, 2020. These documents describe the assignment of ratings to PG&E and PG&E Corporation by S&P, Moody's, and Fitch. PG&E also refers TURN to Exhibits 1.2 through 1.4 to Chapter 1, Introduction (D. Thomason), which are confidential documents that reflect preliminary feedback provided by S&P, Moody's, and Fitch in March 2020 based on the securitization structure contemplated at that time, and not the current structure of the proposed Securitization. PG&E notes that the financial forecast information contained in these documents is no longer current.

d. PG&E has not received documents from credit rating agencies, investors, or other financial experts regarding the implications of PG&E's proposed Securitization for customer costs or rates.

e.-j. Yes, PG&E contends there is a benefit to ratepayers and monetary value associated with (1) strengthening PG&E's credit metrics, and (2) obtaining an investment-grade issuer credit rating from one of the major rating agencies. Among many variables and other inputs, investors use credit ratings as a guide to assess the risk of rated securities and form their own views on how to price the risk. Improvements in credit quality are reflected in lower interest rates at which investors purchase PG&E's debt. Those interest rates move in a continuous spectrum, whereas credit ratings move in discrete notches. Hence, regardless of whether improvements in credit quality warrant a full notch change in credit ratings, such improvements will result in lower interest rates, all else being equal. PG&E refers TURN to the updated testimony described in response to part a.

