

PG&E HEARING EXHIBIT PGE-35

A.20-04-023

PG&E'S SECURITIZATION 2020

PG&E Response to Wild Tree Foundation's Data Request 2, Questions 1-6

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

PG&E Data Request No.:	WildTree_002-Q01-06		
PG&E File Name:	Securitization2020_DR_WildTree_002-Q01-06		
Request Date:	November 20, 2020	Requester DR No.:	002
Date Sent:	December 3, 2020	Requesting Party:	Wild Tree Foundation
PG&E Witness:	Q1-Q2: Greg Allen Q3-Q6: Various	Requester:	April Rose Maurath Sommer

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

On page 6-31, footnote 29 of Witness Allen's Rebuttal testimony it states, "This approach eliminates the highly unlikely tail events (both positive and negative) from the presentation and from the calculation of the expected value." Please provide the results of this analysis including highly unlikely tail events.

ANSWER 01

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

The percentiles reflected in Table 6-14 would remain unchanged. For the outputs of all 2,000 trials, see 2020Securitization_DR_Misc_Rebuttal Chapter 6_Table 6-14.xlsx, provided on November 23, 2020, in response to Question 6 in TURN's fifteenth set of data requests.

QUESTION 02

On page 6-31, footnote 29 of Witness Allen's Rebuttal testimony it states, "Generally speaking, the magnitude of positive tail events exceeds the magnitude of negative tail events when simulating the behavior of investment portfolios." Please provide the basis for this claim, including the results of analyses, academic studies.

ANSWER 02

The basis for positive tail events having a greater magnitude than negative tail events is simply a result of the mathematics of compound rate-of-return calculations. A simple example would be a portfolio with an initial value of \$100. If it experiences two years in a row of +25% returns it will be worth $\$100 \times (1+0.25)^2 = \156.25 , for a dollar gain of \$56.25. If it experiences two years in a row of -25% returns it will be worth $\$100 \times (1-0.25)^2 = \56.25 , for a dollar loss of \$43.75. The dollar loss is smaller than the dollar gain due to the mathematics of compounding. Losses compound on smaller values. Gains compound on bigger values. Another intuitive way of thinking about this is to consider the limits. The most a portfolio can lose is -100% (its entire value), whereas on the upside a portfolio can earn a theoretically limitless positive compound return. A comparison of Table 1-1A to Table 2 in Chapter 1, Introduction – Rebuttal (D. Thomason), illustrates that the statement is true in this instance.

QUESTION 03

Describe any involvement any of PG&E's witnesses have had with respect to any of the transactions listed in Attachment A to the Direct Testimony of Aaron Rothschild, whether or not said witness would describe it as direct involvement, including any testimony submitted by said witnesses.

ANSWER 03

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

To PG&E's knowledge, none of PG&E's witnesses in this proceeding were involved in transactions authorized by the financing orders reflected in Attachment A to the Direct Testimony of Aaron Rothschild on behalf of Wild Tree. Citigroup Global Markets has been involved in many utility securitization transactions, as both underwriter and financial advisor, as reflected in 2020Securitization_DR_WTF_02-Q03_Historical_Utility_Securitization.xlsx.

QUESTION 04

Have any of PG&E's witnesses previously provided testimony regarding best practices related to investor-owned utility securitization transactions? If so, identify all proceedings in which said witness has submitted such testimony, and provide a copy of such testimony, or publicly available link(s) to access such testimony.

ANSWER 04

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

To PG&E's knowledge, none of PG&E's witnesses in this proceeding have previously provided testimony relating to "best practices related to investor-owned utility securitization transactions." Daniel Pease previously provided testimony in support of PG&E's rate proposal for the Energy Recovery Bonds (ERBs) in A.04-07-032. Any prior testimony from Mr. Pease relating to securitization transactions would also have been related to PG&E rate proposals. Steffen Lunde previously provided testimony relating to utility securitization transactions available at the following links:

Consumers Energy Company / Michigan Public Services Commission: Case No. U-20889 <https://mi-psc.my.site.com/sfc/servlet.shepherd/version/download/068t000000EhPH7AAN>

Consumers Energy Company / Michigan Public Services Commission: Case No. U-18250 <https://mi-psc.my.site.com/sfc/servlet.shepherd/version/download/068t0000001UWbYAAW>

QUESTION 05

Have any of PG&E's witnesses previously published articles or other writings regarding best practices related to investor-owned utility securitization transactions? If so, identify all such articles and other writings, and provide a copy of such articles and other writings, or publicly available link(s) to access such articles and other writings.

ANSWER 05

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

To PG&E's knowledge, none of PG&E's witnesses in this proceeding have previously published articles or other writings relating to "best practices related to investor-owned utility securitization transactions."

QUESTION 06

Have any of PG&E's witnesses previously provided testimony regarding securitization transactions? If so, identify all proceedings in which said witness has submitted such testimony, and provide a copy of such testimony, or publicly available link(s) to access such testimony.

ANSWER 06

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

PG&E refers Wild Tree to its response to Question 4.