

PUBLIC UTILITIES COMMISSION  
505 Van Ness Avenue  
San Francisco CA 94102-3298



**Pacific Gas & Electric Company**  
**ELC (Corp ID 39)**  
**Status of Advice Letter 6390E**  
**As of November 29, 2021**

Subject: Issuance Advice Letter Submission for Recovery Bonds

Division Assigned: Energy

Date Filed: 11-05-2021

Date to Calendar: 11-10-2021

Authorizing Documents: D2106030

<b>Disposition:</b>	<b>Accepted</b>
<b>Effective Date:</b>	<b>11-10-2021</b>

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

AL Certificate Contact Information:

Stuart Rubio

415-973-4587

[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**PUBLIC UTILITIES COMMISSION**  
505 Van Ness Avenue  
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to  
**[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)**



**Sidney Bob Dietz II**  
Director  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-3582

November 5, 2021

**Advice 6390-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Issuance Advice Letter Submission for Recovery Bonds**

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) 21-06-030 (the Financing Order), Pacific Gas and Electric Company (PG&E) hereby transmits for submission, within one day after the pricing date of this series of Wildfire Hardening Recovery Bonds, the initial Fixed Recovery Charges for the series. This Issuance Advice Letter is for the Senior Secured Recovery Bonds Series 2021-A, Tranche(s) A-1, A-2 and A-3 (Recovery Bonds).

Pursuant to Ordering Paragraph 4 of the Financing Order, attached hereto is the Finance Team's pre-issuance approval letter dated November 4, 2021.

**Purpose**

This submission establishes initial Fixed Recovery Charges for rate schedules for Consumers. This submission also establishes the Recovery Property to be sold to the Recovery Property Owner (Special Purpose Entity or SPE), including the Billing Commencement Date. Finally, this submission sets forth the final terms of the Recovery Bonds, including a final estimate of Upfront Financing Costs and estimated Ongoing Financing Costs for the 12-month period following the Closing Date.

**Background**

In the Financing Order, the Commission authorized PG&E to submit Issuance Advice Letters when final terms and pricing for Recovery Bonds have been established. Issuance Advice Letter submissions are those in which PG&E uses the rate design methodology and Fixed Recovery Charge cash flow formula found reasonable by the Commission in the Financing Order to establish initial Fixed Recovery Charges for a series of Recovery Bonds. Using this methodology and formula approved by the Commission in the Financing Order, this submission establishes the initial Fixed Recovery Charges.

**Issuance Information**

The Financing Order requires PG&E to provide the following information.

Recovery Bond Name: Senior Secured Recovery Bonds, Series 2021-A  
 Recovery Property Owner (SPE): PG&E Recovery Funding LLC  
 Bond Trustee: The Bank of New York Mellon Trust Company, N.A.  
 Closing Date: 11/12/2021  
 Bond Rating(s): AAA(sf) (S&P) / Aaa(sf) (Moody's)  
 Principal Amount Issued (Authorized Amount): \$860,399,000.00 (See Table 1 below)

Upfront Financing Costs: \$10,351,000.00 (See Table 2 below)  
 Upfront Financing Costs as a Percent of Principal Amount Issued: 1.2%  
 Coupon Rate(s): See Exhibit 1  
 Call Features: None  
 Expected Principal Amortization Schedule: See Exhibit 1  
 Scheduled Final Payment Date(s): See Exhibit 1  
 Legal Maturity Date(s): See Exhibit 1  
 Payment Dates (semi-annually): January 15 and July 15  
 Annual Servicing Fee as a percent of the issuance amount: 0.05%  
 Annual Administration Fee: \$75,000  
 Overcollateralization amount for the series, if any: None

FRC Annual Adjustment Date: March 1  
 Semi-Annual Adjustment Dates: September 1

Billing Commencement Date: December 1, 2021  
 First Payment Period: Closing Date through and including First Payment Date  
 Second Payment Period: Day following First Payment Date through and including Second Payment Date

### **Securitized Amount**

The following table sets for the computation of the final Securitized Amount (i.e., the principal amount of the Recovery Bonds).

<b>Table 1: Securitized Amount</b>	
Initial AB 1054 CapEx Amount:	
• 2020	\$609,155,000
• 2021	\$240,893,000
Upfront Financing Costs (See Table 2 below)	\$10,351,000
<b>Total Securitized Amount</b>	<b>\$860,399,000</b>

PG&E has determined that the Community Wildfire Safety Program (CWSP) system hardening costs to be recovered through the issuance of Recovery Bonds described herein do not exceed 115 percent of the Commission-approved per-mile costs set forth in D.20-12-005 at page 119.

### **Upfront Financing Costs**

The following table includes actual or estimated (as noted) Upfront Financing Costs to be incurred in connection with the issuance of the Recovery Bonds:

<b>Table 2: Upfront Financing Costs</b>	
Underwriters' Fees and Expenses	\$3,441,596
Legal Fees and Expenses	\$3,523,734
Rating Agency Fees	\$989,459
Accounting Fees and Expenses	\$125,000
Company's Advisory Fee	\$255,000
Servicer Set-up Costs	\$3,000
SEC Registration Fees	\$94,135
Section 1904 Fees	\$436,200
Printing / EDGARizing Expenses	\$40,000
Trustee / Trustee Counsel Fee and Expenses	\$52,000
Original Issue Discount	\$28,104
Commission's Costs and Expenses	\$1,219,500
Miscellaneous	\$143,272
<b>Total</b>	<b>\$10,351,000</b>
<b>Note 1:</b> Section 1904 Fees computed in accordance with Decision 21-06-030	

### **True-Up Mechanism**

Changes to the Fixed Recovery Charges will be requested through the submission of Routine True-Up Mechanism Advice Letters and Non-Routine True-Up Mechanism Advice Letters in accordance with the Financing Order. Annually before each FRC Annual Adjustment Date (and at least quarterly beginning 12 months prior to the last scheduled final payment date of the last maturing tranche of Recovery Bonds), semi-annually, if required by the servicer, and more frequent as required by the servicer, the servicer will submit Routine True-Up Mechanism Advice Letters in the form of Attachment 3 to the Financing Order to ensure that Fixed Recovery Charges collections are sufficient to make all scheduled payments of bond principal, interest, and other Ongoing Financing Costs on a timely basis during each of the two payment periods and, in the case of semi-annual Routine True-Up Mechanism Advice Letter, to replenish any draws upon the capital subaccount. The first payment period means the period commencing on the Closing Date and ending (and including) the first Payment Date following the Closing Date (the "First Payment Period"); the second payment period

means the period commencing on the day following the first Payment Date and ending (and including) the next Payment Date (the "Second Payment Period"). The servicer may also submit Non-Routine True-Up Mechanism Advice Letters in the form of Attachment 4 to the Financing Order.

### **Ongoing Financing Costs**

The following table includes estimated Ongoing Financing Costs for the First and Second Payment periods following Closing Date to be recovered through Fixed Recovery Charges in accordance with the Financing Order.

<b>TABLE 3: Estimated Ongoing Financing Costs</b>		
	First Payment Period	Second Payment Period
Servicing Fee (PG&E as Servicer) (0.05% of the initial Recovery Bond principal amount)	\$272,460	\$215,100
Administration Fee	\$47,500	\$37,500
Accounting Fees and Expenses	\$37,500	\$37,500
Legal Fees and Expenses	\$17,500	\$17,500
Rating Agency Surveillance Fees	\$20,000	\$20,000
Trustee Fees and Expenses	\$2,100	\$2,100
Independent Director Fees	\$1,500	\$1,500
Printing / EDGARizing Expenses	\$5,000	\$5,000
Return on Equity	\$62,659	\$49,467
Miscellaneous Fees and Expenses	\$5,000	\$5,000
<b>TOTAL ONGOING FINANCING COSTS (with PG&amp;E as Servicer)</b>	<b>\$471,219</b>	<b>\$390,667</b>
Ongoing Servicers Fee (Third Party as Servicer) (0.60% of initial principal amount)	\$3,269,516	\$2,581,197
<b>TOTAL ONGOING FINANCING COSTS (Third Party as Servicer)</b>	<b>\$3,468,275</b>	<b>\$2,756,764</b>

**Fixed Recovery Charges**

Table 4 below shows the inputs and current assumptions for each of the variables used in calculating the Fixed Recovery Charges:

<b>TABLE 4: Input Values For Fixed Recovery Charges</b>		
	First Payment Period	Second Payment Period
Allocation Factors for each Customer Class (see Exhibit 3)	See Exhibit 3	See Exhibit 3
Projected kWh sales for each Customer Class for payment period (See Exhibit 3)	See Exhibit 3	See Exhibit 3
Percent of Consumers' revenue written off	0.34%	0.34%
Average Days Sales Outstanding	55	55
Ongoing Financing Costs for the applicable payment period (See Table 3 above)	\$471,219	\$390,667
Recovery Bond Principal	\$18,365,684.46	\$13,530,457.77
Recovery Bond Interest	\$13,356,181.30	\$9,759,398.13
Periodic Payment Requirement (See Exhibit 2)	\$32,193,084.39	\$23,680,523.24
Periodic Billing Requirement (See Exhibit 3)	\$32,193,084.39	\$23,680,523.24

Table 5 shows the initial Fixed Recovery Charges for each FRC Consumer Class:

<b>TABLE 5: Fixed Recovery Charges (cent per kWh)</b>	
FRC Consumer Class	WHC*
<b>Bundled Service</b>	
Residential	0.106
Residential – CARE	-
Residential – Non-CARE	0.141
Small Commercial	0.145
Medium Commercial	0.115
Medium Commercial – A/B-10T	0.080
Medium Commercial – A/B-10P	0.109
Medium Commercial – A/B-10S	0.120
E/B-19	0.103
E/B-19T	0.080
E/B-19P	0.092
E/B-19S	0.102
Streetlight	0.123
Standby	0.076
Standby – STOU T	0.072
Standby – STOU P	0.288
Standby – STOU S	0.146
Agriculture	0.128
E/B-20	0.074
E/B-20 T	0.055
E/B-20 P	0.084
E/B-20 S	0.093
Average Bundled Rate	0.106
<b>Direct Access/Community Choice Aggregation (DA/CCA)</b>	
Residential	0.106
Residential – CARE	-

Residential – Non-CARE	0.141
Small Commercial	0.145
Medium Commercial	0.115
Medium Commercial – A/B-10T	0.080
Medium Commercial – A/B-10P	0.109
Medium Commercial – A/B-10S	0.120
E/B-19	0.103
E/B-19T	0.080
E/B-19P	0.092
E/B-19S	0.102
Streetlight	0.123
Standby	0.076
Standby – STOU T	0.072
Standby – STOU P	0.288
Standby – STOU S	0.146
Agriculture	0.128
E/B-20	0.074
E/B-20 T	0.055
E/B-20 P	0.084
E/B-20 S	0.093
Average DA/CCA Rate	0.106

*\*Class average rates are calculated by dividing total revenues expected to be collected by the WHC by total forecasted system sales for the class for the rate effective period.*

### **Recovery Property**

Recovery Property is the property described in Public Utilities Code Section 850(b)(11) relating to the Fixed Recovery Charges set forth herein, including, without limitation, all of the following:

- (1) The right, title and interest in and to the Fixed Recovery Charges set forth herein, as adjusted from time to time.
- (2) The right to be paid the principal amount of the Recovery Bonds, together with interest thereon as the same become due as shown on Exhibit 2, together with all Ongoing Financing Costs as the same become due.
- (3) The right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the Fixed Recovery Charges, as set forth herein.
- (4) All rights to obtain adjustments to the Fixed Recovery Charges under the True-Up Mechanism.

These Fixed Recovery Charges, as adjusted from time to time, shall remain in place until the total amounts in Exhibit 2 are paid in full to the owner of the Recovery Property, or its assignee(s).

**Proposed Tariff Changes**

PG&E will submit all tariff sheets reflecting the revised Fixed Recovery Charges shown in Table 5 in the consolidated revenue requirement and rate change advice letter for a rate effective date of December 1, 2021.

**Description of Exhibits**

Exhibit 1 presents the debt service schedule for the Recovery Bonds, including expected principal amortization, scheduled final payment dates and final maturity dates, interest rates, and aggregate scheduled debt service per payment date.

Exhibit 2 presents the Periodic Payment Requirements related to the Recovery Bonds for the two payment periods following the Closing Date.

Exhibit 3 presents the Fixed Recovery Charges calculations.

**Effective Date**

In accordance with the Financing Order, unless before noon on the fourth business day after pricing the Commission Staff rejects this Issuance Advice Letter for failure to adhere to the terms of the Financing Order, the Issuance Advice Letter and the Fixed Recovery Charges established by this Issuance Advice Letter will be effective automatically at noon on the fourth business day after pricing, and pursuant to Section 850.1(h), the Recovery Property established by the Financing Order, will come into being simultaneously with the sale of the Recovery Property to the SPE. The Fixed Recovery Charges will continue to be effective, unless they are changed by a subsequent True-Up Mechanism Advice Letter. All of the Recovery Property identified herein constitutes a current property right and will continuously exist as property for all purposes. Further all Upfront Financing Costs and all Ongoing Financing Costs for the life of the Recovery Bonds shall be recoverable as provided in the Financing Order.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for A.21-02-020. Address changes should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <https://www.pge.com/tariffs/advice-letters.page>.





# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (U 39 E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Stuart Rubio

Phone #: (415) 973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: SHR8@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 6390-E

Tier Designation: 1

Subject of AL: Issuance Advice Letter Submission for Recovery Bonds

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.21-06-030

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date:

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Sidney Bob Dietz II, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

Advice 6390-E  
November 5, 2021

## **Attachment 1**

**Exhibits 1-3**

**Exhibit 1**  
**Recovery Bond Terms and Debt Service Schedule**

<b>Tranche</b>	<b>Expected Weighted Average Life</b>	<b>Principal Amount Offered</b>	<b>Scheduled Final Payment Date</b>	<b>Final Maturity Date</b>	<b>Interest Rate</b>
A-1	4.99	\$266,127,000	7/15/2031	7/15/2033	1.460%
A-2	11.99	\$160,309,000	1/15/2036	1/15/2038	2.280%
A-3	19.93	\$433,963,000	7/15/2046	7/15/2048	2.822%
		\$860,399,000			

<b>Tranche A-1</b>				
<b>Payment Date</b>	<b>Principal Balance</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
11/12/2021	\$266,127,000			
7/15/2022	\$247,761,316	\$18,365,684	\$2,622,682	\$20,988,366
1/15/2023	\$234,230,858	\$13,530,458	\$1,808,658	\$15,339,115
7/15/2023	\$220,592,427	\$13,638,431	\$1,709,885	\$15,348,316
1/15/2024	\$206,845,161	\$13,747,265	\$1,610,325	\$15,357,590
7/15/2024	\$192,988,193	\$13,856,969	\$1,509,970	\$15,366,938
1/15/2025	\$179,020,645	\$13,967,547	\$1,408,814	\$15,376,361
7/15/2025	\$164,941,637	\$14,079,008	\$1,306,851	\$15,385,859
1/15/2026	\$150,750,278	\$14,191,359	\$1,204,074	\$15,395,433
7/15/2026	\$136,445,673	\$14,304,606	\$1,100,477	\$15,405,083
1/15/2027	\$122,026,916	\$14,418,757	\$996,053	\$15,414,810
7/15/2027	\$107,493,098	\$14,533,818	\$890,796	\$15,424,615
1/15/2028	\$92,843,300	\$14,649,798	\$784,700	\$15,434,498
7/15/2028	\$78,076,596	\$14,766,704	\$677,756	\$15,444,460
1/15/2029	\$63,192,054	\$14,884,542	\$569,959	\$15,454,501
7/15/2029	\$48,188,734	\$15,003,320	\$461,302	\$15,464,622
1/15/2030	\$33,065,687	\$15,123,047	\$351,778	\$15,474,825
7/15/2030	\$17,821,958	\$15,243,729	\$241,380	\$15,485,108
1/15/2031	\$2,456,584	\$15,365,374	\$130,100	\$15,495,474
7/15/2031	\$0	\$2,456,584	\$17,933	\$2,474,517

**Exhibit 1  
Tranche A-2**

<b>Payment Date</b>	<b>Principal Balance</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
11/12/2021	\$160,309,000			
7/15/2022	\$160,309,000	\$0	\$2,467,156	\$2,467,156
1/15/2023	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2023	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2024	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2024	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2025	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2025	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2026	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2026	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2027	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2027	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2028	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2028	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2029	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2029	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2030	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2030	\$160,309,000	\$0	\$1,827,523	\$1,827,523
1/15/2031	\$160,309,000	\$0	\$1,827,523	\$1,827,523
7/15/2031	\$147,277,594	\$13,031,406	\$1,827,523	\$14,858,928
1/15/2032	\$131,599,225	\$15,678,370	\$1,678,965	\$17,357,334
7/15/2032	\$115,715,390	\$15,883,835	\$1,500,231	\$17,384,066
1/15/2033	\$99,623,398	\$16,091,992	\$1,319,155	\$17,411,148
7/15/2033	\$83,320,520	\$16,302,878	\$1,135,707	\$17,438,585
1/15/2034	\$66,803,993	\$16,516,527	\$949,854	\$17,466,381
7/15/2034	\$50,071,017	\$16,732,976	\$761,566	\$17,494,542
1/15/2035	\$33,118,755	\$16,952,262	\$570,810	\$17,523,071
7/15/2035	\$15,944,334	\$17,174,421	\$377,554	\$17,551,975
1/15/2036	\$0	\$15,944,334	\$181,765	\$16,126,099

**Exhibit 1  
Tranche A-3**

<b>Payment Date</b>	<b>Principal Balance</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
11/12/2021	\$433,963,000			
7/15/2022	\$433,963,000	\$0	\$8,266,344	\$8,266,344
1/15/2023	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2023	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2024	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2024	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2025	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2025	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2026	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2026	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2027	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2027	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2028	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2028	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2029	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2029	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2030	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2030	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2031	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2031	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2032	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2032	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2033	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2033	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2034	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2034	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2035	\$433,963,000	\$0	\$6,123,218	\$6,123,218
7/15/2035	\$433,963,000	\$0	\$6,123,218	\$6,123,218
1/15/2036	\$432,507,842	\$1,455,158	\$6,123,218	\$7,578,376
7/15/2036	\$414,877,222	\$17,630,619	\$6,102,686	\$23,733,305
1/15/2037	\$396,977,913	\$17,899,310	\$5,853,918	\$23,753,227
7/15/2037	\$378,805,817	\$18,172,095	\$5,601,358	\$23,773,454
1/15/2038	\$360,356,779	\$18,449,038	\$5,344,950	\$23,793,988
7/15/2038	\$341,626,578	\$18,730,201	\$5,084,634	\$23,814,835
1/15/2039	\$322,610,929	\$19,015,650	\$4,820,351	\$23,836,001
7/15/2039	\$303,305,481	\$19,305,448	\$4,552,040	\$23,857,488
1/15/2040	\$283,705,817	\$19,599,663	\$4,279,640	\$23,879,303
7/15/2040	\$263,807,455	\$19,898,362	\$4,003,089	\$23,901,451
1/15/2041	\$243,605,842	\$20,201,613	\$3,722,323	\$23,923,936
7/15/2041	\$223,096,357	\$20,509,486	\$3,437,278	\$23,946,764
1/15/2042	\$202,274,307	\$20,822,050	\$3,147,890	\$23,969,940
7/15/2042	\$181,134,928	\$21,139,378	\$2,854,090	\$23,993,469
1/15/2043	\$159,673,386	\$21,461,542	\$2,555,814	\$24,017,356
7/15/2043	\$137,884,770	\$21,788,616	\$2,252,991	\$24,041,608
1/15/2044	\$115,764,095	\$22,120,675	\$1,945,554	\$24,066,229
7/15/2044	\$93,306,301	\$22,457,794	\$1,633,431	\$24,091,225
1/15/2045	\$70,506,251	\$22,800,051	\$1,316,552	\$24,116,603
7/15/2045	\$47,358,727	\$23,147,523	\$994,843	\$24,142,367
1/15/2046	\$23,858,436	\$23,500,292	\$668,232	\$24,168,523
7/15/2046	\$0	\$23,858,436	\$336,643	\$24,195,078

**Exhibit 2**  
**Periodic Payment Requirements**

The total amount payable to the owner of the Recovery Property, or its assignee(s), pursuant to this issuance advice letter is a \$860,399,000 principal amount, plus interest on such principal amount, plus Ongoing Financing Costs, to be obtained from Fixed Recovery Charges calculated in accordance with the Decision.

The Fixed Recovery Charges shall be adjusted from time to time, at least annually, via the Routine True-Up Mechanism Advice Letter and Non-Routine True-Up Mechanism Advice Letter in accordance with the Decision.

The following amounts are scheduled to be paid by the Bond Trustee from Fixed Recovery Charges it has received during the two Payment Periods following the Closing Date. These payment amounts include principal plus interest and plus other Ongoing Financing Costs.

<b>Payment Period</b>	<b>Recovery Bond Payments (See Exhibit 1)</b>	<b>Ongoing Financing Costs (see Table 3)</b>	<b>Periodic Payment Requirement</b>
<b>First Payment Period</b>	\$31,721,865.76	\$471,218.63	\$32,193,084.39
<b>Second Payment Period</b>	\$23,289,855.90	\$390,667.34	\$23,680,523.24

**Exhibit 3**  
**Fixed Recovery Charges Calculations**

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (F) x (B) / (C)
FRC Consumer Class	WHFRC Allocation Factors for Effective Period <sup>(1)</sup>	WHFRC Sales Factors for Effective Period <sup>(1)</sup>	Highest Periodic Billing Requirement (\$)	Forecasted Billed and Collected Sales for Highest Periodic Requirement (MWh)	System Average WHFRC (¢/kWh)	New WHFRC (¢/kWh)
Residential - CARE <sup>(2)</sup>	0.0%	0.0%	32,193,084	0	0.116	-
Residential - Non-CARE	36.9%	30.6%	32,193,084	8,930,776	0.116	0.141
Small Commercial	13.5%	10.8%	32,193,084	2,982,896	0.116	0.145
A/B-10T	0.002%	0.003%	32,193,084	1,030	0.116	0.080
A/B-10P	0.1%	0.1%	32,193,084	24,305	0.116	0.109
A/B-10S	11.1%	10.8%	32,193,084	2,995,495	0.116	0.120
E/B-19T	0.03%	0.04%	32,193,084	13,688	0.116	0.080
E/B-19P	1.2%	1.5%	32,193,084	436,981	0.116	0.092
E/B-19S	15.2%	17.4%	32,193,084	4,814,610	0.116	0.102
Streetlight	0.3%	0.3%	32,193,084	98,795	0.116	0.123
Standby - STOU T	0.3%	0.4%	32,193,084	134,114	0.116	0.072
Standby - STOU P	0.1%	0.02%	32,193,084	6,298	0.116	0.288
Standby - STOU S	0.01%	0.01%	32,193,084	2,574	0.116	0.146
Agriculture	8.6%	7.8%	32,193,084	1,568,412	0.116	0.128
E/B-20T	3.7%	8.0%	32,193,084	2,270,668	0.116	0.055
E/B-20P	6.4%	8.9%	32,193,084	2,515,717	0.116	0.084
E/B-20S	2.6%	3.3%	32,193,084	926,166	0.116	0.093

<sup>(1)</sup> Effective Period is 12/1/2021 through 2/28/2023 and is defined as the time period in which these Wildfire Hardening Fixed Recovery Charges will be collected in rates.

<sup>(2)</sup> CARE customers are exempt from paying the fixed recovery charge.

Advice 6390-E  
November 5, 2021

## **Attachment 2**

### **Pre-Issuance Approval Letter**

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 4, 2021

**Via Electronic Mail**

Margaret K. Becker  
Vice President and Treasurer  
Pacific Gas and Electric Company  
77 Beale Street  
P.O. Box 770000  
San Francisco, CA 94177  
[MKBd@pge.com](mailto:MKBd@pge.com) .

**Subject: Pre-Issuance Approval Letter for PG&E Senior Secured Recovery Bonds Series 2021-A, Tranches A-1 through A-3 (Recovery Bonds)**

Dear Ms. Becker,

Pursuant to Ordering Paragraph 4 of California Public Utilities Commission (CPUC) Decision D.21-06-030 (the Decision), the Commission Finance Team, consisting of Edward Randolph, Arocles Aguilar, and their designated representatives, provides this letter evidencing the Finance Team's pre-issuance review and approval of Pacific Gas and Electric Company's (PG&E's) issuance of recovery bonds authorized by the Decision, the terms of which are set forth in the Draft Issuance Advice Letter for the Senior Secured Recovery Bonds, Series 2021-A, Tranches A-1 through A-3 (Recovery Bonds), attached hereto as Exhibit A (the Draft Issuance Advice Letter). As set forth below, the Finance Team confirms it has completed its pre-issuance review of and approves the material terms of the Recovery Bonds as presented in the Draft Issuance Advice Letter.

In accordance with the Decision, the final terms and structure of the Recovery Bonds, including the recovery of the upfront financing costs and all ongoing financing costs for the life of the Recovery Bonds, as well as the initial fixed recovery charges, are to be approved through the Issuance Advice Letter process as provided in the Decision.

## **FINANCE TEAM REVIEW AND APPROVAL**

### **I. COMMISSION AUTHORITY FOR APPROVING STRUCTURE AND TERMS FOR RECOVERY BONDS**

On February 24, 2021, PG&E submitted an application under California Public Utilities Code Section 850 et seq.<sup>1</sup> seeking the Commission’s approval of a proposed financing order for PG&E’s issuance of Recovery Bonds to finance fire risk mitigation capital expenditures and related costs and expenses. Specifically, PG&E requested authority to issue Recovery Bonds for approximately \$1.2 billion, along with upfront financing costs.

The Commission reviewed PG&E’s request, considered comments filed by stakeholders who were parties to the docket (A.21-02-020), issued a financing order, and granted PG&E’s request to allow PG&E to submit an Issuance Advice Letter when final terms and structure for the Recovery Bonds have been established.<sup>2</sup> The Issuance Advice Letter is to include the critical details and final terms of the proposed Recovery Bonds and set forth the cost allocation, rate design methodology, and Fixed Recovery Charge cash flow formula authorized by the Commission to establish initial Fixed Recovery Charges for a series of Recovery Bonds.

### **II. ESTABLISHMENT OF A FINANCE TEAM**

The Decision provides for, among other tools, “employing the review and approval of the Finance Team ... [to] reduce, to the maximum extent possible, the rates to Consumers on a present value basis,”<sup>3</sup> which is consistent with the statutory mandate that “[t]he recovery of recovery costs through the designation of the fixed recovery charges and any associated fixed recovery tax amounts, and the issuance of recovery bonds in connection with the fixed recovery charges, would reduce, to the maximum extent possible, the rates on a present value basis that consumers within the electrical corporation’s service territory would pay as compared to the use of traditional utility financing mechanisms, which shall be calculated using the electrical corporation’s corporate debt and equity in the ratio approved by the Commission at the time of the financing order.”<sup>4</sup>

Ordering Paragraph 4 of the Decision provides that:

The Finance Team’s pre-issuance review and approval of the material terms and structure of a series of Recovery Bonds shall be evidenced by an approval letter from the Finance Team to Pacific Gas and Electric

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<sup>1</sup> On July 12, 2019, Governor Newsom signed into law Assembly Bill (AB) No. 1054, which amended Division 1, Part 1, Chapter 4, Article 5.8, commencing with § 850 of the Public Utilities Code. Public Utilities Code Article 5.8 was later amended by AB 1513 and AB 913 and authorizes the issuance of Recovery Bonds.

<sup>2</sup> Decision Ordering ¶ 1.

<sup>3</sup> Decision Findings of Fact ¶ 3.

<sup>4</sup> Public Utilities Code § 850.1(a)(1)(A)(ii)(III).

Company (PG&E) delivered on or before the date of the pricing of the relevant Recovery Bonds. PG&E shall be required to include such a draft approval letter as an attachment to the Issuance Advice Letter relating to such series of Recovery Bonds, or as a supplement to such Issuance Advice Letter. Such approval letter from the Finance Team to PG&E shall be a condition precedent to the issuance of such a series of Recovery Bonds.

Consistent with the Decision, the Commission established a Finance Team consisting of the Commission's Director of Energy Division, Edward Randolph (who also serves as the Deputy Executive Director for Energy and Climate Policy), the Commission's General Counsel, Arocles Aguilar, and additional designated representatives from Commission Staff. The Finance Team also included Ducera Partners LLC, as Financial Advisor, and Paul, Weiss, Rifkind, Wharton & Garrison LLP, as the Finance Team Legal Advisor.

### **III. PG&E'S ACTIVITIES**

In accordance with the Financing Order, PG&E undertook a number of activities in arranging for the issuance of the Recovery Bonds. In addition to the specific activities discussed in the following section, PG&E has represented that it has undertaken the following activities:

- Responded to all Finance Team inquiries and comments and incorporated Finance Team input.
- Registered the Recovery Bonds with the Securities and Exchange Commission to facilitate greater liquidity, identified the bonds as not "asset-backed securities" as such term is defined by the SEC in governing regulations Item 1101 of Regulation AB and marketed the Recovery Bonds to ABS and corporate bond investors.
- After receiving the advice of the underwriters, selected, applied for and received preliminary Aaa(sf)/AAA(sf) ratings from two of the major rating agencies with final Aaa(sf)/AAA(sf) ratings as a condition of closing.
- Provided preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the preliminary prospectus and to ask questions regarding the transaction.
- Arranged for the issuance of rating agency pre-sale reports during the marketing period.
- During the period that the Recovery Bonds were marketed, PG&E held frequent market update discussions with the underwriting team to discuss market conditions and develop strategy for pricing.

- Had multiple conversations with all members of the underwriting team before and during the marketing phase in which PG&E stressed the requirements of the Financing Order.
- Conducted roadshow meetings with investors to provide information on the offering.
- Provided potential investors with access to an internet roadshow for viewing at investors' convenience.
- Adapted the Recovery Bond offering to market conditions and investor demand at the time of marketing. Variables impacting the final structure of the transaction were evaluated including the tranche structure, term, length of weighted average lives, issuance size, amortization schedules, credit protections and maturity of the Recovery Bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings, while meeting the requirements of the Financing Order.
- With consideration to input from and the approval of the Finance Team and underwriters (and each of their respective counsels), finalized documentation in accordance with established standards for transactions of this sort and the terms of the Financing Order.

#### **IV. FINANCE TEAM REVIEW**

The Finance Team met periodically with PG&E representatives, via teleconference, from June 2021 through November 2021, to address subjects such as: (1) the underwriter and syndication group size, selection process, participants, allocations, and economics, which involved a Request for Proposal (RFP) process, obtaining a broad view of transaction structure alternatives from potential underwriters and proposals from a broad set of traditional and diverse banks; (2) the structure of the Recovery Bonds, including considerations reviewed or proposed during the RFP process and recommendations from PG&E and its lead underwriters, including on parameters to drive the greatest level of investor interest and resulting savings to ratepayers; (3) the Recovery Bonds' credit rating agency applications, supporting materials and preliminary AAA/Aaa results; (4) the underwriters' preparation, proposed marketing, marketing materials, and proposed syndication of the Recovery Bonds; (5) the proposed pricing approach of the Recovery Bonds and certifications to be provided by PG&E and the lead underwriters (with ongoing review and involvement in the pricing process); (6) all associated Recovery Bond costs (including Upfront Financing Costs and other Financing Costs), servicing and administrative fees and associated crediting as well as a comparison of such costs relative to other issuances, (7) maturities, weighted average lives and alternative structures, (8) reporting templates, (9) the amount of PG&E's equity contribution to the related SPE, (10) overcollateralization and other credit enhancements and (11) the initial calculation of the related Fixed Recovery Charges. The Finance Team also met both with PG&E and without PG&E to evaluate PG&E's proposals and to conduct due diligence, including

reviewing the validity of PG&E's assumptions, evaluating potential modifications, and developing recommended paths forward. In accordance with the Decision, the Finance Team's review included the following:

### **1. Recovery Bonds Structure**

Pursuant to the Decision, the Finance Team was provided the right to review all material terms of the recovery bonds and other items the Finance Team determined were appropriate to perform its reviewing role.<sup>5</sup> With the benefit of preliminary structures proposed by potential underwriters in the RFP process, the Finance Team considered and made inquiries about PG&E's proposed structure, proposed structuring parameters and proposed alternatives. The Finance Team discussed parameters to maximize potential net present value savings and available transaction alternatives and provided comments and input, which were incorporated into the recovery bond structure. After conducting its review, the Finance Team accepted the proposed transaction structure, including three tranches of Recovery Bonds, a maturity profile that did not exceed the average useful life of the amounts securitized,<sup>6</sup> and structural elements designed to appeal to the broadest range of investors possible. The proposed transaction structure was found to be appropriate subject to modification, if required, as part of the marketing process to reduce, to the maximum extent possible, the rates on a present value basis that consumers within PG&E's service territory would pay as compared to the rates that would be paid using traditional utility financing mechanisms.

### **2. Recovery Bonds Lead Advisor and Underwriters**

Pursuant to the Decision, the Finance Team was provided the right to oversee the process of selecting underwriters for the Recovery Bonds.<sup>7</sup> Accordingly, the Finance Team engaged in several meetings with PG&E to inquire about PG&E's RFP and the responses received. The Finance Team requested PG&E obtain supplemental proposals from a select group of underwriters, including more detailed views around structuring, marketing and pricing from such prospective underwriters. As part of this supplemental process, the Finance Team requested PG&E obtain potential underwriters views of various important elements of the process, including optimal structure (tranches, term, size), features by issuance, marketing (including investors by tranche), how the underwriters would tell the story, views of relevant pricing of comparable deals, proposed fees and costs, anticipated investor concerns and how they would be addressed, as well as views of optimal timing of the marketing process and optimal syndication strategies.

Through the underwriter selection process, the Finance Team encouraged broad participation in the RFP process, assessed all prospective underwriter views on recovery bond structures to assist in achieving optimal execution, including reviewing proposed term sheets, views on

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<sup>5</sup> Decision, Ordering ¶ 3.

<sup>6</sup> Order paragraph 5 requires approval of the scheduled final payment date of the latest maturing tranche of the Recovery Bonds.

<sup>7</sup> Decision, Ordering ¶ 3.

key components of the structure, additional structural elements such as green bond certifications, proposed investor lists, the proposed cost structure, proposed underwriting and advisory fees, and views on pricing to reduce, to the maximum extent possible, the rates on a present value basis that consumers within PG&E's service territory would pay as compared to the use of traditional utility financing mechanisms. This informed the choice of underwriters to lead the transaction while ensuring that optimal deal factors were incorporated into the transaction. Based on information provided by PG&E, the Finance Team approved the selection of underwriters.

The underwriter group was expanded with additional traditional and diverse banks to supplement the underwriter group's experience and to include experience with transactions marketed to both ABS and corporate investors.

Underwriter economics were reviewed with PG&E, including review of comparable issuances and the role and scope of this process. Such fees were determined shortly ahead of marketing, as determined by PG&E to be appropriate, including encouraging the ongoing support from its underwriters.

### **3. Credit Rating Agency Review**

Pursuant to the Decision, the Finance Team was directed to review the credit rating agency applications associated with the Recovery Bonds.<sup>8</sup> PG&E provided the Finance Team with access to all information provided to the rating agencies, including previewing information with the Finance Team. All aspects of the process, including confidential information shared with the rating agencies and all related disclosures were also made available to the Finance Team. The Finance Team reviewed the credit rating process, related materials, call notes, and the approach to presentations and the application for credit ratings. With the Finance Team's input on certain information shared with credit ratings, PG&E applied for and received preliminary "triple-A" ratings from two of the major rating agencies with final ratings of Aaa(sf)(Moody's)/AAA(sf)(S&P) expected to be confirmed at closing.

PG&E also reviewed potential green bond certification options with the Finance Team, including potential certification providers, the associated costs and potential benefits of obtaining such a certification. The Finance Team approved the green bond certification, which was obtained to further broaden potential investors and resulting potential customer savings.

### **4. Preparation and Marketing of Recovery Bonds**

Pursuant to the Decision, the Finance Team had the right to review the underwriters' preparation and marketing of the proposed Recovery Bonds, including indicative pricing.<sup>2</sup> The Finance Team also had the right to review the marketing approach for the Recovery Bonds.<sup>10</sup>

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<sup>8</sup> Decision, Ordering ¶ 3.

<sup>2</sup> Decision, Ordering ¶ 3.

<sup>10</sup> Decision, Ordering ¶ 3.

In meetings with PG&E, the Finance Team explored the risks and benefits of using an asset backed security (ABS) or corporate approach to marketing and structuring the Recovery Bonds. PG&E and its structuring advisor presented the proposed structure to the Finance Team and its proposal to market to both ABS and corporate investors. The Finance Team actively followed and commented on the evaluation of potential structures, including requesting the review of and evaluating alternative structures focusing on maximizing investor participation to reduce, to the maximum extent possible, the rates on a present value basis that consumers within PG&E's service territory would pay as compared to the use of traditional utility financing mechanisms.

After evaluation of a broad range of potential alternatives, PG&E ultimately selected, with the Finance Team's concurrence, a proposed alternative that was anticipated to produce the greatest amount of investor interest, highest present value savings and, lowest weighted average interest rate on the Recovery Bonds relative to traditional utility financing mechanisms. Having conducted its review and provided input and comments on the proposed structuring and marketing of the Recovery Bonds, the Finance Team approved the approach to register the Recovery Bonds with the Securities and Exchange Commission on a Form SF-1 to facilitate greater liquidity and identify the Recovery Bonds as not "asset-backed securities" as such term is defined by the SEC in governing regulations Item 1101 of Regulation AB.

With the opportunity to provide comment by the Finance Team, PG&E developed and implemented a marketing and structuring plan to incentivize underwriters to market the Recovery Bonds to their customers and to reach out to a broad base of potential investors, including both corporate and ABS investors and investors who have not previously purchased this type of security. PG&E informed investors early about securitization, through a non-deal road show and the underwriters agreed to use all forms of marketing available to them to distribute the offering, including educating their sales force and providing potential investors with access to individual, small group, and/or internet roadshows to conduct their due diligence on the investment.

Pursuant to the Decision, the Finance Team reviewed and provided input on certifications provided by PG&E and the lead underwriters, necessary to further align interests and ensure the statutory objective was achieved.

The Finance Team was apprised that PG&E held frequent market update discussions with the underwriting team to develop recommendations for pricing. PG&E and the Finance Team met with the underwriting team before and during the marketing phase. The Finance Team's Financial Advisor engaged with the underwriters on key elements of the marketing, pricing, and syndication process including participating in market updates, pricing discussions, and road show meetings, using such information to inform the Finance Team's review and feedback on the structure and marketing process. This process included participating in pricing discussions, review of subscriptions, and modifications available, focused on meeting the statutory objective.

## **5. Transaction Fees and Costs**

Pursuant to the Decision, the Finance Team had the right to review all transaction fees and costs for the Recovery Bonds, including upfront financing costs and ongoing financing costs.<sup>11</sup> That review included reviewing each of the upfront and ongoing fees, such as an annual servicing fee to PG&E, third party servicing fees and administrative fees.<sup>12</sup>

The Finance Team asked questions and provided input on the fees and costs for the Recovery Bonds, including a review of pricing comparisons. The Finance Team provided feedback on various aspects of the fees and costs for the Recovery Bonds and required modifications to the structure to achieve incremental savings for the benefit of ratepayers. As determined in the Financing Order, the transaction also included a credit enhancement for the Recovery Bonds in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount of the Recovery Bonds. The rate of return on this amount, tied to the cost of the securitization, was also determined in the Financing Order, and reviewed by the Finance Team.

## **6. Collateral and Credit Enhancements**

Pursuant to the Decision, the Finance Team was directed to determine whether over-collateralization and other additional credit enhancements would be required for the transaction.<sup>13</sup> In response to the Finance Team's inquiries and input, PG&E confirmed no additional enhancements would be required in order to obtain the highest possible credit rating and achieve the statutory objective.

## **7. Sale of Recovery Bonds**

Pursuant to the Decision, the Finance Team had the right to review and approve the sale of the Recovery Bonds in a negotiated offering through one or more underwriters.<sup>14</sup>

The Finance Team worked with PG&E and the underwriters (and each of their respective counsels) to finalize documentation in accordance with established standards for transactions of this sort and the terms of the Decision. The Finance Team was apprised of developments in the marketing process including the road show process and results, the level of interest from investors, questions raised throughout the process and pricing implications.

## **V. CONCLUSION**

The Finance Team has completed its pre-issuance review and approves the material terms of the Recovery Bonds in the Draft Issuance Advice Letter in accordance with the Decision (pending review of ultimately proposed final pricing levels). Based on the materials that the Finance Team has received and reviewed, the Finance Team is satisfied that the issuance of the Recovery Bonds as proposed would reduce, to the maximum extent possible, consumer

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<sup>11</sup> Decision, Ordering ¶ 3.

<sup>12</sup> Decision, Ordering ¶ 3, Conclusion of Law ¶ 3.

<sup>13</sup> Decision, Ordering ¶ 3.

<sup>14</sup> Decision, Ordering ¶ 3.

rates on a present value basis as compared to the use of traditional utility financing mechanisms.

*Arocles Aguilar*

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General Counsel  
California Public Utilities Commission  
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*Edward Randolph*

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Edward Randolph  
Deputy Executive Director for  
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Director, Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

# **EXHIBIT A**

## **Draft Issuance Advice Letter**



SidneyBobDietzII  
Director  
RegulatoryRelations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-3582

Month XX, 2021

**Advice 3XXX-G/5XXX-E**

(Pacific Gas and Electric Company ID U 39 E/G/M)

Public Utilities Commission of the State of California

**Subject: Issuance Advice Letter Submission for Recovery Bonds**

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) 21-06-030 (the Financing Order), Pacific Gas and Electric Company (PG&E) hereby transmits for submission, within one day after the pricing date of this series of Wildfire Hardening Recovery Bonds, the initial Fixed Recovery Charges for the series. This Issuance Advice Letter is for the Senior Secured Recovery Bonds Series 2021-A, Tranche(s) A-1, A-2 and A-3 (Recovery Bonds).

Pursuant to Ordering Paragraph 4 of the Financing Order, attached hereto is the Finance Team's pre-issuance approval letter dated November , 2021.

**Purpose**

This submission establishes initial Fixed Recovery Charges for rate schedules for Consumers. This submission also establishes the Recovery Property to be sold to the Recovery Property Owner (Special Purpose Entity or SPE), including the Billing Commencement Date. Finally, this submission sets forth the final terms of the Recovery Bonds, including a final estimate of Upfront Financing Costs and estimated Ongoing Financing Costs for the 12-month period following the Closing Date.

**Background**

In the Financing Order, the Commission authorized PG&E to submit Issuance Advice Letters when final terms and pricing for Recovery Bonds have been established. Issuance Advice Letter submissions are those in which PG&E uses the rate design methodology and Fixed Recovery Charge cash flow formula found reasonable by the Commission in the Financing Order to establish initial Fixed Recovery Charges for a

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series of Recovery Bonds. Using this methodology and formula approved by the Commission in the Financing Order, this submission establishes the initial Fixed Recovery Charges.

### **Issuance Information**

The Financing Order requires PG&E to provide the following information.

Recovery Bond Name: Senior Secured Recovery Bonds, Series 2021-A

Recovery Property Owner (SPE): PG&E Recovery Funding LLC

Bond Trustee: The Bank of New York Mellon Trust Company, N.A.

Closing Date: / /2021

Bond Rating(s): AAA(sf) (S&P) / Aaa(sf) (Moody's)

Principal Amount Issued (Authorized Amount): \$860,399,000.00 (See Table 1 below)

Upfront Financing Costs: \$10,351,000.00 (See Table 2 below)

Upfront Financing Costs as a Percent of Principal Amount Issued: 1.2%

Coupon Rate(s): See Exhibit 1

Call Features: None

Expected Principal Amortization Schedule: See Exhibit 1

Scheduled Final Payment Date(s): See Exhibit 1

Legal Maturity Date(s): See Exhibit 1

Payment Dates (semi-annually): January 15 and July 15

Annual Servicing Fee as a percent of the issuance amount: 0.05%

Annual Administration Fee: \$75,000

Overcollateralization amount for the series, if any: None

FRC Annual Adjustment Date: March 1

Semi-Annual Adjustment Dates: September 1

Billing Commencement Date: December 1, 2021

First Payment Period: Closing Date through and including first Payment Date

Second Payment Period: Day following First Payment Date through and including second Payment Date

### **Securitized Amount**

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The following table sets for the computation of the final Securitized Amount (i.e., the principal amount of the Recovery Bonds).

Initial AB 1054 CapEx Amount:	
• 2020	\$609,155,000
• 2021	\$240,893,000
Upfront Financing Costs (See Table 2 below)	\$10,351,000
<b>Total Securitized Amount</b>	<b>\$860,399,000</b>

PG&E has determined that the Community Wildfire Safety Program (CWSP) system hardening costs to be recovered through the issuance of Recovery Bonds described herein do not exceed 115 percent of the Commission-approved per-mile costs set forth in D.20-12-005 at page 119.

### **Upfront Financing Costs**

The following table includes actual or estimated (as noted) Upfront Financing Costs to be incurred in connection with the issuance of the Recovery Bonds:

Underwriters' Fees and Expenses	\$3,441,596
Legal Fees and Expenses	\$3,523,734
Rating Agency Fees	\$989,459
Accounting Fees and Expenses	\$125,000
Company's Advisory Fee	\$255,000
Servicer Set-up Costs	\$3,000
SEC Registration Fees	\$94,135
Section 1904 Fees	\$436,200
Printing / EDGARizing Expenses	\$40,000
Trustee / Trustee Counsel Fee and Expenses	\$52,000
Original Issue Discount	TBD upon pricing
Commission's Costs and Expenses	\$1,219,500
Miscellaneous	\$171,376
<b>Total</b>	<b>\$10,351,000.00</b>
<b>Note 1:</b> Section 1904 Fees computed in accordance with Decision 21-06-030	

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### **True-Up Mechanism**

Changes to the Fixed Recovery Charges will be requested through the submission of Routine True-Up Mechanism Advice Letters and Non-Routine True-Up Mechanism Advice Letters in accordance with the Financing Order. Annually before each FRC Annual Adjustment Date (and at least quarterly beginning 12 months prior to the last scheduled final payment date of the last maturing tranche of Recovery Bonds), semi-annually, if required by the servicer, and more frequent as required by the servicer, the servicer will submit Routine True-Up Mechanism Advice Letters in the form of Attachment 3 to the Financing Order to ensure that Fixed Recovery Charges collections are sufficient to make all scheduled payments of bond principal, interest, and other Ongoing Financing Costs on a timely basis during each of the two payment periods and, in the case of semi-annual Routine True-Up Mechanism Advice Letter, to replenish any draws upon the capital subaccount. The first payment period means the period commencing on the Closing Date and ending (and including) the first Payment Date following the Closing Date (the “First Payment Period”); the second payment period means the period commencing on the day following the first Payment Date and ending (and including) the next Payment Date (the “Second Payment Period”). The servicer may also submit Non-Routine True-Up Mechanism Advice Letters in the form of Attachment 4 to the Financing Order.

### **Ongoing Financing Costs**

The following table includes estimated Ongoing Financing Costs for the First and Second Payment periods following Closing Date to be recovered through Fixed Recovery Charges in accordance with the Financing Order.

	First Payment Period	Second Payment Period
Servicing Fee (PG&E as Servicer) (0.05% of the initial Recovery Bond principal amount)	\$277,240	\$215,100
Administration Fee	\$48,333	\$37,500
Accounting Fees and Expenses	\$37,500	\$37,500
Legal Fees and Expenses	\$17,500	\$17,500
Rating Agency Surveillance Fees	\$20,000	\$20,000
Trustee Fees and Expenses	\$2,100	\$2,100
Independent Director Fees	\$1,500	\$1,500
Printing / EDGARizing Expenses	\$5,000	\$5,000
Return on Equity	\$69,818	\$54,169
Miscellaneous Fees and Expenses	\$5,000	\$5,000

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<b>TOTAL ONGOING FINANCING COSTS (with PG&amp;E as Servicer)</b>	<b>\$483,991</b>	<b>\$395,369</b>
Ongoing Servicers Fee (Third Party as Servicer) (0.60% of initial principal amount)	\$3,326,876	\$2,581,197
<b>TOTAL ONGOING FINANCING COSTS (Third Party as Servicer)</b>	<b>\$3,533,627</b>	<b>\$2,761,466</b>

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### Fixed Recovery Charges

Table 4 below shows the inputs and current assumptions for each of the variables used in calculating the Fixed Recovery Charges:

	First Payment Period	Second Payment Period
Allocation Factors for each Customer Class (see Exhibit 3)	See Exhibit 3	See Exhibit 3
Projected kWh sales for each Customer Class for payment period (See Exhibit 3)	See Exhibit 3	See Exhibit 3
Percent of Consumers' revenue written off	0.301%	0.301%
Average Days Sales Outstanding	55	55
Ongoing Financing Costs for the applicable payment period (See Table 3 above)	\$483,991	\$395,369
Recovery Bond Principal	\$18,365,684.46	\$13,530,457.77
Recovery Bond Interest	\$14,872,335.22	\$10,691,580.86
Periodic Payment Requirement (See Exhibit 2)	\$33,722,010.68	\$24,609,164.14
Periodic Billing Requirement (See Exhibit 3)	\$33,722,010.68	\$24,609,164.14

Table 5 shows the initial Fixed Recovery Charges for each FRC Consumer Class:

FRC Consumer Class	WHC*
<b>Bundled Service</b>	
Residential	0.110
Residential – CARE	
Residential – Non-CARE	0.147
Small Commercial	0.151
Medium Commercial	0.124
Medium Commercial – A/B-10T	0.084
Medium Commercial – A/B-10P	0.114
Medium Commercial – A/B-10S	0.125
E/B-19	0.105
E/B-19T	0.083
E/B-19P	0.095
E/B-19S	0.106
Streetlight	0.128
Standby	0.086
Standby – STOU T	0.075
Standby – STOU P	0.300
Standby – STOU S	0.152
Agriculture	0.134
E/B-20	0.077
E/B-20 T	0.057

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E/B-20 P	0.088
E/B-20 S	0.097
Average Bundled Rate	0.110
<b>Direct Access/Community Choice Aggregation (DA/CCA)</b>	
Residential	0.110
Residential – CARE	
Residential – Non-CARE	0.147
Small Commercial	0.151
Medium Commercial	0.124
Medium Commercial – A/B-10T	0.084
Medium Commercial – A/B-10P	0.114
Medium Commercial – A/B-10S	0.125
E/B-19	0.105
E/B-19T	0.083
E/B-19P	0.095
E/B-19S	0.106
Streetlight	0.128
Standby	0.086
Standby – STOU T	0.075
Standby – STOU P	0.300
Standby – STOU S	0.152
Agriculture	0.134
E/B-20	0.077
E/B-20 T	0.057
E/B-20 P	0.088
E/B-20 S	0.097
Average DA/CCA Rate	0.110

\*The balances in the Wildfire Hardening Fixed Recovery Charge Balancing Account (WHFRCBA) will be credited or recovered in rates in the same manner as other distribution charges, and will not be collected on a volumetric basis (cents per kWh) on some rate schedules. WHFRCBA balances will be credited or recovered from DL Consumers (as defined in the Financing Order) through the rates set forth in Electric Preliminary Statement Part JG, WHFRCBA.

### **Recovery Property**

Recovery Property is the property described in Public Utilities Code Section 850(b)(11) relating to the Fixed Recovery Charges set forth herein, including, without limitation, all of the following:

- (1) The right, title and interest in and to the Fixed Recovery Charges set forth herein, as adjusted from time to time.
- (2) The right to be paid the principal amount of the Recovery Bonds, together with interest thereon as the same become due as shown on Exhibit 2, together with all Ongoing Financing Costs as the same become due.

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(3) The right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the Fixed Recovery Charges, as set forth herein.

(4) All rights to obtain adjustments to the Fixed Recovery Charges under the True-Up Mechanism.

These Fixed Recovery Charges, as adjusted from time to time, shall remain in place until the total amounts in Exhibit 2 are paid in full to the owner of the Recovery Property, or its assignee(s).

### **Proposed Tariff Changes**

PG&E will submit all tariff sheets reflecting the revised Fixed Recovery Charges shown in Table 5 in the consolidated revenue requirement and rate change advice letter for rates effective in [date].

### **Description of Exhibits**

Exhibit 1 presents the debt service schedule for the Recovery Bonds, including expected principal amortization, scheduled final payment dates and legal maturity dates, interest rates, and aggregate scheduled debt service per payment date.

Exhibit 2 presents the Periodic Payment Requirements related to the Recovery Bonds for the two payment periods following the Closing Date.

Exhibit 3 presents the Fixed Recovery Charges calculations.

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**Effective Date**

In accordance with the Financing Order, unless before noon on the fourth business day after pricing the Commission Staff rejects this Issuance Advice Letter for failure to adhere to the terms of the Financing Order, the Issuance Advice Letter and the Fixed Recovery Charges established by this Issuance Advice Letter will be effective automatically at noon on the fourth business day after pricing, and pursuant to Section 850.1(h), the Recovery Property established by the Financing Order, will come into being simultaneously with the sale of the Recovery Property to the SPE. The Fixed Recovery Charges will continue to be effective, unless they are changed by a subsequent True-Up Mechanism Advice Letter. All of the Recovery Property identified herein constitutes a current property right and will continuously exist as property for all purposes. Further all Upfront Financing Costs and all Ongoing Financing Costs for the life of the Recovery Bonds shall be recoverable as provided in the Financing Order.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list **and the parties on the service list for A.21-02-020**. Address changes should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <https://www.pge.com/tariffs/advice-letters.page>.

\_\_\_\_\_  
/S/

Sidney Bob Dietz II  
Director, Regulatory Relations

**Attachments**

cc: Service List A.21-02-020

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**PG&E Gas and Electric  
Advice Submittal List  
General Order 96-B, Section IV**

AT&T  
Albion Power Company

Alta Power Group, LLC  
Anderson & Poole

Atlas ReFuel  
BART

Barkovich & Yap, Inc.  
California Cotton Ginners & Growers Assn  
California Energy Commission

California Hub for Energy Efficiency  
Financing

California Alternative Energy and  
Advanced Transportation Financing  
Authority  
California Public Utilities Commission  
Calpine

Cameron-Daniel, P.C.  
Casner, Steve  
Cenergy Power  
Center for Biological Diversity

Chevron Pipeline and Power  
City of Palo Alto

City of San Jose  
Clean Power Research  
Coast Economic Consulting  
Commercial Energy  
Crossborder Energy  
Crown Road Energy, LLC  
Davis Wright Tremaine LLP  
Day Carter Murphy

Dept of General Services  
Don Pickett & Associates, Inc.  
Douglass & Liddell

East Bay Community Energy Ellison  
Schneider & Harris LLP Energy  
Management Service  
Engineers and Scientists of California

GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz &  
Ritchie

Green Power Institute  
Hanna & Morton  
ICF

IGS Energy  
International Power Technology

Intertie

Intestate Gas Services, Inc.  
Kelly Group  
Ken Bohn Consulting  
Keyes & Fox LLP  
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated  
Waste Management Task Force  
MRW & Associates  
Manatt Phelps Phillips  
Marin Energy Authority  
McKenzie & Associates

Modesto Irrigation District  
NLine Energy, Inc.  
NRG Solar

OnGrid Solar  
Pacific Gas and Electric Company  
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority  
Regulatory & Cogeneration Service, Inc.  
SCD Energy Solutions  
San Diego Gas & Electric Company

SPURR  
San Francisco Water Power and Sewer  
Semptra Utilities

Sierra Telephone Company, Inc.  
Southern California Edison Company  
Southern California Gas Company  
Spark Energy

Sun Light & Power  
Sunshine Design  
Tecogen, Inc.  
TerraVerde Renewable Partners  
Tiger Natural Gas, Inc.

TransCanada  
Utility Cost Management  
Utility Power Solutions  
Water and Energy Consulting Wellhead  
Electric Company  
Western Manufactured Housing  
Communities Association (WMA)  
Yep Energy