

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



Pacific Gas & Electric Company
ELC (Corp ID 39)
Status of Advice Letter 6616E
As of July 29, 2022

Subject: Tier 2 Advice Letter Regarding Initial Shareholder Contribution Under Decision 21-04-030

Division Assigned: Energy

Date Filed: 06-09-2022

Date to Calendar: 06-15-2022

Authorizing Documents: D2104030

Disposition:	Accepted
Effective Date:	07-09-2022

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Stuart Rubio
(415) 973-4587
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- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)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

June 9, 2022

Advice 6616-E

(Pacific Gas and Electric Company U 39 E)

Public Utilities Commission of the State of California

Subject: Tier 2 Advice Letter Regarding Initial Shareholder Contribution Under Decision 21-04-030

Purpose

Pursuant to Ordering Paragraph (OP) 3 of Decision (D.) 21-04-030 (the Decision), Pacific Gas and Electric Company (PG&E) respectfully submits this advice letter demonstrating that the second \$1 billion of the initial contribution by PG&E shareholders (Initial Shareholder Contribution) to the customer credit trust (Customer Credit Trust or Trust) will not be credit negative to PG&E.

Background

As set forth in the Decision, the California Public Utilities Commission (the Commission) determined that PG&E satisfies the stress test methodology created pursuant to Public Utilities Code section 451.2(b) and that \$7.5 billion of 2017 catastrophic wildfire costs and expenses are stress test costs that may be financed through the issuance of recovery bonds (Recovery Bonds) pursuant to Public Utilities Code sections 850 *et seq.*¹ In addition, through the Decision, the Commission authorized PG&E to establish the Customer Credit Trust to fund a customer credit (Customer Credit) designed to equal the fixed recovery charges to be collected from customers to pay the Recovery Bonds.

The Customer Credit Trust is funded by, among other things, the Initial Shareholder Contribution. The Decision adopted modifications proposed by PG&E in its opening brief that, among other things, offered to increase the amount of the Initial Shareholder Contribution from \$1.8 billion to \$2 billion on the condition that the \$2 billion would be contributed as \$1 billion at issuance of the Recovery Bonds (pro rata to the issuance

¹ Separately, in D.21-05-015, the Commission authorized the issuance of the Recovery Bonds.

amount) and \$1 billion in the first quarter of 2024.² Specifically, OPs 2 and 3 of the Decision provide:

2. Pacific Gas & Electric Company shareholders shall contribute no less than \$1 billion to the Customer Credit Trust in 2021. Pacific Gas & Electric Company shareholders may contribute the \$1 billion in 2021 pro rata to the amount of the issuance of Recovery Bonds (as a proportion of the authorized \$7.5 billion), if approved in Application 21-01-004.³

3. Pacific Gas & Electric Company (PG&E) shareholders shall contribute an additional \$1 billion contribution to the Customer Credit Trust before March 31, 2024. PG&E shall file a Tier 2 Advice Letter within 30 days of its first issuance of Recovery Bonds, demonstrating that the second \$1 billion contribution will not be credit negative to PG&E, or PG&E must propose modified timing for this contribution to avoid adversely impacting PG&E's credit statistics.⁴

In proposing modifications in its opening brief, PG&E explained certain guiding principles. Among these were that “any transaction structure should be designed to achieve the goal of improving PG&E's credit metrics.”⁵

As PG&E explained through its application and supporting testimony and opening brief, the proposed securitization of stress test costs would provide qualitative and quantitative benefits with S&P Global Ratings (S&P Global) and Moody's Investor Service (Moody's), the two leading rating agencies, and would support and accelerate PG&E's path back to an investment grade issuer credit rating. Specifically with respect to quantitative benefits to PG&E's credit metrics, at the time of the Decision, PG&E expected the securitization to improve its credit metrics with S&P Global, who would treat the Recovery Bonds as off-credit, but not with Moody's, whose methodology at that time was to treat securitization transactions as on-credit. As explained in the attached Declaration of Margaret Becker, since the Decision, Moody's has changed its methodology to treat securitization transactions as off-credit. As a result, issuance of the Recovery Bonds is expected to be more credit positive for PG&E's credit metrics than was anticipated at the time of the Decision.

² PG&E Opening Brief at 156 (“To be clear, PG&E would be willing and able to increase the Initial Shareholder contribution only if the contributions were sequenced as proposed above (\$1 billion in 2021, \$1 billion in 2024).”) (emphasis in original).

³ D.21-04-030 at 90 (OP 2). The Executive Director of the Commission subsequently granted a request by PG&E pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure to extend until December 31, 2022 the deadline to complete contribution of the first \$1 billion of the Initial Shareholder Contribution. The Decision became final in 2022 after the Commission denied applications for rehearing and the California Court of Appeal denied a petition for writ of review. D.21-05-015 approved the issuance of the Recovery Bonds requested in A.21-01-004.

⁴ D.21-04-030 at 90–91 (OP 3).

⁵ PG&E Opening Brief at 155.

Credit Rating Positive Impact of Securitization at the Time of the Decision

As described in the testimony of Joseph Sauvage, Vice Chairman and Chairman of Global Power at Citigroup Global Markets, the qualitative credit benefits of the securitization included a more constructive relationship with the Commission and other important stakeholders and support for a key initiative coming out of the bankruptcy reorganization, and the quantitative credit benefits would come from using proceeds of the Recovery Bonds to retire \$6 billion of temporary utility debt (Temporary Utility Debt) that was incurred in the reorganization to pay wildfire claims. The quantitative benefits were based on two assumptions in particular:

The first assumption is that PG&E will commit to the rating agencies that the initial shareholder funded contribution of \$1.8 billion will be funded in a credit accretive manner, . . .

The second assumption is that securitization is treated as on-credit for Moody's, but off-credit for S&P.⁶

At the time of the Decision, Moody's had issued reports on June 15, 2020 and June 16, 2020 in which it stated that it would treat the Recovery Bonds as on-credit.⁷ On the other hand, S&P Global's June and July 2020 reports assumed Recovery Bonds would be off-credit, and in discussions between S&P Global and PG&E before August 7, 2020, S&P Global confirmed that it expected to treat the Recovery Bonds as off-credit.⁸ By treating the Recovery Bonds as off-credit, S&P Global would not include that debt in its calculation of credit metrics for PG&E and its parent company, which would improve those metrics as a result of issuing the Recovery Bonds.

The end result at the time of the Decision was a "split" rating effect in which Moody's would treat the Recovery Bonds as on-credit and S&P Global would treat them as off-credit. As explained by Joseph Sauvage, even with this difference in treatment, the securitization would help to improve P&E's credit ratings:

As compared to a scenario without securitization in which PG&E continues to finance the wildfire claims costs with the Temporary Utility Debt, securitization will enable PG&E to improve its credit metrics faster, particularly under S&P's methodology, assuming off-credit treatment for the

⁶ PGE-05 at 5-26 to 5-27.

⁷ PGE-05, Exhibit 5.7 at 5-Exh5.7-2 (Moody's June 15, 2020), 5-Exh5.7-9 (Moody's June 16, 2020 Credit Opinion). This treatment was consistent with Moody's general methodology with respect to securitizations.

⁸ PGE-05, Exhibit 5.6 at 5-Exh5.6-4 (S&P June 15, 2020 Research Update), 5-Exh5.6-15 (S&P July 10, 2020 Ratings Direct Report).

securitization. On balance, stronger credit metrics will decrease relative financial risk and thereby strengthen the overall credit assessment.⁹

In the Decision, the Commission took note of this difference in treatment between Moody's and S&P Global several times in connection with the discussion of the proposed modification of the amount and timing of the Initial Shareholder Contribution and the requirement to file this Advice Letter. For example:

The Application initially proposed a \$1.8 billion Initial Shareholder Contribution to be made concurrent with the issuance of the securitized bonds. As explained below, we adopt the modified proposal, with conditions. However, at the time PG&E would have contributed the full amount of the initial contribution under the pro-rata method it originally proposed, it must file a Tier 2 advice letter demonstrating that the deferral of the second part of its modified time-sequenced initial contribution continues to not be credit negative to PG&E given PG&E is currently describing its modified proposal (including the proposal to make a second contribution in the first quarter of 2024) as not leading S&P to treat the credit obligation as debt. Otherwise, PG&E must propose modified timing for this contribution to avoid adversely impacting PG&E's credit statistics relative to upfront funding of the first \$1.8 billion as originally proposed.¹⁰

Thus, at the time of the Decision, it was expected that the issuance of the Recovery Bonds would not have any positive quantitative impact on PG&E's credit metrics with Moody's.

Second \$1 Billion of Initial Shareholder Contribution Will Not Be Credit Negative

Margaret Becker is a Vice President and Treasurer of PG&E. As set forth in the attached declaration, she sponsored testimony supporting Application (A.) 20-04-023 and A.21-01-004. At that time and today, she leads a team that is responsible for, among other things, financing and administration of debt obligations, and she manages PG&E's relationships with rating agencies and banks.

⁹ PGE-05 at 5-27. Joseph Sauvage noted that the Commission could choose to rely on S&P. *Id.* at 5-27, n.78 ("To the extent securitization does not positively affect PG&E's quantitative metrics under Moody's methodology, the Commission can exercise its discretion to rely on S&P's methodology and assessment for purposes of PG&E's path to an investment-grade issuer credit rating.").

¹⁰ D. 21-04-030 at 6, n.7 (emphasis added). See *also id.* at 19, 85 (Finding of Fact 15) ("it must file a Tier 2 Advice Letter demonstrating that the deferral of the second part of its modified time-sequenced initial contribution continues to not be credit negative to PG&E given PG&E is currently describing its modified proposal (including the proposal to make a second contribution in the first quarter of 2024) as not leading S&P to treat the credit obligation as debt.").

For the reasons set forth in the attached Declaration of Margaret Becker, PG&E states pursuant to OP 3 of the Decision that the second \$1 billion contribution to be made to the Customer Credit Trust by March 31, 2024 will not be credit negative to PG&E.

This Advice Letter is based on information available at the time of submission. PG&E will supplement this Advice Letter if it learns additional information that it understands to be responsive to the requirements in OP 3 of the Decision.

Protests

Anyone wishing to protest this submittal may do so by letter sent electronically via E-mail, no later than **June 29, 2022**, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
E-mail: EDTariffUnit@cpuc.ca.gov

The protest shall also be electronically sent to PG&E via E-mail at the address shown below on the same date it is electronically delivered to the Commission:

Sidney Bob Dietz II
Director, Regulatory Relations
c/o Megan Lawson
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name and e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

Pursuant to General Order (GO) 96-B, Rule 5.2, and OP 3 of D.21-04-030, this advice letter is submitted with a Tier 2 designation. PG&E requests that this Tier 2 advice submittal become effective on regular notice, **July 9, 2022**, which is 30 calendar days after the date of submittal.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically to parties shown on the attached list and the parties on the service list for A.20-04-023 and A.21-01-004. Address changes to the General Order 96-B service list 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: <http://www.pge.com/tariffs/>.

_____/S/

Sidney Bob Dietz II
Director, Regulatory Relations

Attachments:

- Attachment 1: Declaration of Margaret Becker – PUBLIC
- Attachment 2: Declaration of Margaret Becker – CONFIDENTIAL
- Attachment 3: Declaration Supporting Confidential Designation

cc: Service Lists in A.20-04-023, A.21-01-004



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) #: 6616-E

Tier Designation: 2

Subject of AL: Tier 2 Advice Letter Regarding Initial Shareholder Contribution Under Decision 21-04-030

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.21-04-030

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: See Confidential Declaration and Matrix
 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: Margaret Becker, MKBd@pge.com.

Resolution required? Yes No

Requested effective date: 7/9/22

No. of tariff sheets: 0

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 proposed¹: N/A

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

¹Discuss in AL if more space is needed.

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

California Public Utilities Commission
Energy Division Tariff Unit Email:
EDTariffUnit@cpuc.ca.gov

Contact Name: Sidnev Bob Dietz II. c/o Megan Lawson
Title: Director, Regulatory Relations
Utility/Entity Name: Pacific Gas and Electric Company

Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx:
Email: PGETariffs@pge.com

Contact Name:
Title:
Utility/Entity Name:

Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

CPUC
Energy Division Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Clear Form

Attachment 1

Declaration of Margaret Becker

(Public)

[Redacted]

[Redacted]

8.

[Redacted]

9.

[Redacted]

10.

[Redacted]

[Redacted]

11. [REDACTED]

12. [REDACTED]

13. The information in my declaration and the Advice Letter is based on information from and discussions with S&P Global and Moody's to date.

Attachment 2

Declaration of Margaret Becker

(Confidential)

Attachment 3

Declaration Supporting Confidential Designation

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**DECLARATION SUPPORTING CONFIDENTIAL DESIGNATION
ON BEHALF OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 M)**

1. I, Margaret Becker, am the Vice President and Treasurer of Pacific Gas and Electric Company (“PG&E”), a California corporation. I am currently working remotely as PG&E transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.
2. PG&E will produce the information identified in Paragraph 3 of this Declaration to the California Public Utilities Commission (“CPUC”) or departments within or contractors retained by the CPUC in response to a CPUC audit, data request, proceeding, or other CPUC request.

Relevant CPUC Proceeding: Application of Pacific Gas and Electric Company for (1) Administration of Stress Test Methodology Developed Pursuant to Public Utilities Code Section 451.2(b) and (2) Determination That \$7.5 Billion of 2017 Catastrophic Wildfire Costs and Expenses Are Stress Test Costs That May Be Financed Through Issuance of Recovery Bonds Pursuant to Section 451.2(c) and Section 850 et seq. (A.20-04-023)
3. Title and description of document(s):

Attachment 2: Declaration of Margaret Becker – CONFIDENTIAL
4. These documents contain confidential information that, based on my information and belief, has not been publicly disclosed. These documents have been marked as confidential, and the basis for confidential treatment and where the confidential information is located on the documents are identified on the following chart, with further detail provided in Appendix A, which is incorporated into this declaration:

Check	Basis for Confidential Treatment	Where Confidential Information is Located on the Documents
<input type="checkbox"/>	<p>Customer-specific data, which may include demand, loads, names, addresses, and billing data.</p> <p>Protected under Pub. Util. Code § 8380; PG&E Electric and Gas Rules 9 and 27, Civ. Code §§ 1798 et seq.; Govt. Code § 6254; Decisions (D.) 14-05-016, 04-08-055, 06-12-029</p>	
<input type="checkbox"/>	<p>Personal information that identifies or describes an individual (including employees), which may include home address or phone number; SSN, driver’s license, or passport numbers; education; financial matters; medical or employment history (not including PG&E job titles); and statements attributed to the individual.</p> <p>(Protected under Civ. Code §§ 1798 <i>et seq.</i>; Govt. Code § 6254; 42 U.S.C. § 1320d-6; and General Order (G.O.) 77-M)</p>	
<input type="checkbox"/>	<p>Physical facility, cyber-security sensitive, or critical infrastructure data, including without limitation critical energy infrastructure information (CEII) as defined by the regulations of the Federal Energy Regulatory Commission at 18 C.F.R. § 388.113 and/or General Order 66-D (“The subject information: (1) is not customarily in the public domain by providing a declaration in compliance with Section 3.2(c) stating that the subject information is not related to the location of a physical structure that is visible with the naked eye or is available publicly online or in print; and (2) the subject information either: could allow a bad actor to attack, compromise or incapacitate physically or electronically a facility providing critical utility service; or discusses vulnerabilities of a facility providing critical utility service”).</p> <p>(Protected under Govt. Code § 6254(k), (ab); 6 U.S.C. § 131; 6 CFR § 29.2)</p>	
<input type="checkbox"/>	<p>Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data.</p> <p>(Protected under Civ. Code §§3426 <i>et seq.</i>; Govt. Code §§ 6254, <i>et seq.</i>, e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)</p>	
<input type="checkbox"/>	<p>Corporate financial records.</p> <p>(Protected under Govt. Code §§ 6254(k), 6254.15)</p>	
<input checked="" type="checkbox"/>	<p>Third-Party information subject to non-disclosure or confidentiality agreements or obligations.</p>	See attachment.

(Protected under Govt. Code § 6254(k); see, e.g., CPUC
D.11-01-036)

Other categories where disclosure would be against the
public interest (Govt. Code § 6255(a)):

5. The importance of maintaining the confidentiality of this information outweighs any public interest in disclosure of this information. This information should be exempt from the public disclosure requirements under the Public Records Act and should be withheld from disclosure.
6. I declare under penalty of perjury that the foregoing is true, correct, and complete to the best of my knowledge.
7. Executed on this 9th day of June, 2022 at San Francisco, California.

/s/ Margaret Becker
Margaret Becker
Vice President and Treasurer
Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

Application of Pacific Gas and Electric Company for (1) Administration of Stress Test Methodology Developed Pursuant to Public Utilities Code Section 451.2(b) and (2) Determination That \$7.5 Billion of 2017 Catastrophic Wildfire Costs and Expenses Are Stress Test Costs That May Be Financed Through Issuance of Recovery Bonds Pursuant to Section 451.2(c) and Section 850 et seq. (A.20-04-023)

ATTACHMENT TO DECLARATION

June 9, 2022

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Attachment 2: Declaration of Margaret Becker – CONFIDENTIAL	Attachment 2: Declaration of Margaret Becker – CONFIDENTIAL	Third-Party information subject to non-disclosure or confidentiality agreements or obligations.	Paragraphs 5 and 7-12

**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.
Braun Blasing Smith Wynne, P.C.
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
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
Engineers and Scientists of California

GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz &
Ritchie
Green Power Institute
Hanna & Morton
ICF
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
McClintock IP
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
Sempra Utilities

Sierra Telephone Company, Inc.
Southern California Edison Company
Southern California Gas Company
Spark Energy
Sun Light & Power
Sunshine Design
Stoel Rives LLP

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