

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



Pacific Gas & Electric Company
ELC (Corp ID 39)
Status of Advice Letter 4354G/6040E
As of February 4, 2021

Subject: Annual Update on Capital Structure in Compliance with OP 9 of Decision 20-05-053

Division Assigned: Energy

Date Filed: 12-30-2020

Date to Calendar: 01-01-2021

Authorizing Documents: D2005053

Disposition:	Accepted
Effective Date:	12-30-2020

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Kimberly Loo

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- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)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



December 30, 2020

Advice 4354-G/6040-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Annual Update on Capital Structure in Compliance with OP 9 of
Decision 20-05-053**

Purpose

In compliance with Ordering Paragraph (OP) 9 of Decision (D.) 20-05-053, Pacific Gas and Electric Company (PG&E) is submitting this Advice Letter to inform the Commission of its current capital structure and deviation from its authorized capital structure, an updated annual forecast for de-leveraging, and its current credit ratings for secured and unsecured debt. The effective date of PG&E's Plan of Reorganization (POR) was July 1, 2020, when PG&E satisfied the requirements in its POR as confirmed by the Bankruptcy Court overseeing its Chapter 11 proceeding on June 20, 2020.

Background

On June 1, 2020, the Commission issued D.20-05-053 approving PG&E's POR with conditions and modifications.¹ As described in D.20-05-053, PG&E's POR called for the issuance of significant amounts of new debt as well as new equity. PG&E indicated that it would be in compliance with its authorized ratemaking capital structure upon emergence if the Commission approved the specific adjustments requested by PG&E, or, alternatively, issued PG&E a waiver from its authorized capital structure.²

In D.20-05-053, the Commission approved the financial elements of PG&E's POR and granted PG&E a temporary waiver from its authorized capital structure. Specifically, the Commission stated:

¹ Pacific Gas and Electric Company (PG&E) and its holding company PG&E Corporation (jointly Debtors) filed voluntary bankruptcy petitions on January 29, 2019, under Chapter 11 of the U.S. Bankruptcy Code.

² D.20-05-053, mimeo at 80-81.

PG&E is granted a waiver from its current authorized capital structure for a period of five years from the date of this decision. This waiver applies only to the financing in place upon PG&E's exit from bankruptcy. Consistent with PG&E's plan we expect PG&E to expeditiously pay down Temporary Utility debt over the projected five-year period and regain a closer alignment between aggregate utility debt and the amount of recoverable utility debt. PG&E may seek to achieve this through its securitization application, A.20-04-023 filed April 30, 2020, its commitment to use Net Operating Losses to reduce leverage, its commitment to not pay common dividends for a time, or through other forms of deleveraging it may identify in the future.³

Consistent with the Commission's expectation and PG&E's commitments, PG&E has filed Application (A.) 20-04-023, seeking the determinations necessary for the Commission to authorize the securitization of \$7.5 billion in 2017 wildfire claims costs pursuant to Senate Bill (SB) 901 (the Rate-Neutral Securitization). As described in the application and supporting testimony, the proposed Rate-Neutral Securitization would enable PG&E to retire \$6 billion in temporary utility debt issued to pay wildfire claims costs at emergence (the \$6 Billion Temporary Utility Debt) and to fund \$1.35 billion in deferred payments to the Fire Victim Trust.

In D.20-05-053, the Commission directed PG&E to make Tier 1 advice filings annually following the issuance of D.20-05-053 to "inform the Commission of its current capital structure and deviation from its authorized capital structure, an updated annual forecast for deleveraging, and its current credit ratings for secured and unsecured debt."⁴

In A.20-05-005, PG&E's application for authority to issue long-term debt, PG&E explained "that it interprets the waiver granted in D.20-05-053 to mean that so long as PG&E is executing on its plan to de-leverage over time, and continuing to increase its equity ratio, on average, following emergence, then PG&E's compliance with its capital structure requirement is waived for five years in accordance with D.20-05-053."⁵ PG&E requested that the Commission confirm in that proceeding that PG&E's interpretation of the 5-year capital structure waiver authorized in D.20-05-053 is correct, in order to provide the certainty needed for PG&E to make required representations to banks for the issuance of new long-term debt.⁶

The Commission issued D.20-12-025 in that proceeding on December 21, 2020. In that decision, the Commission stated:

³ D.20-05-053, mimeo at 84-85.

⁴ D.20-05-053, mimeo at 85.

⁵ D.20-12-025, mimeo at 41 (citing PG&E's September 16, 2020 Response to ALJ Ruling in A.20-05-005, at 9).

⁶ D.20-12-025, mimeo at 39-40.

PG&E's suggested interpretation is generally accurate, that the waiver is conditioned on deleveraging over time. More specifically, PG&E must attempt to deleverage consistent with its projections provided to the Commission and parties in I.19-09-016, or as otherwise directed by the Commission. The temporary waiver provided by D.20-05-053 gives PG&E flexibility to emerge from bankruptcy, while requiring PG&E to file annual updates in Advice Letters on its progress of deleveraging, including deviations from its projections. The annual Advice Letter updates are intended to provide stakeholders and the Commission an opportunity to review PG&E's actual capital structure, and should deviations be material, identify solutions to achieve deleveraging and return to the authorized capital structure over time.⁷

As directed by D.20-05-053, this Advice Letter presents PG&E's current capital structure and forecast for deleveraging, as well as PG&E's current credit ratings.

Capital Structure Ratios and Deleveraging Forecast

Table 1, below, shows PG&E's capital structure ratios as of September 30, 2020, the most recent period for which PG&E has publicly available data. Table 1 also shows estimated year-end capital structure ratios for 2020 through 2024, based on a confidential financial forecast that does not include the proposed Rate-Neutral Securitization pending before the Commission in A.20-04-023.⁸

While PG&E believes the Commission should approve the securitization transaction and related capital structure adjustments, PG&E is presenting a financial forecast without securitization for purposes of this Advice Letter given that A.20-04-023 is currently pending before the Commission.⁹ The financial forecast presented here does not reflect the deleveraging at the Utility that would occur if the proposed Rate-Neutral Securitization is approved. The forecast reflects deleveraging on a consolidated basis due to the retirement of approximately \$ [REDACTED] of PG&E Corporation debt over the five-year period.

⁷ D.20-12-025, mimeo at 43 (citations omitted).

⁸ The forecast shown in Table 1 is consistent with the "Financial Forecast Without Securitization" presented in A.20-04-023 as Exhibit 5.4 to Exhibit PGE-05, Financial Forecasts: 2020-2024 (Confidential). The financial forecast underlying the estimated capital structure ratios shown in Table 1 assumes the securitization of \$3.2 billion of wildfire mitigation capital expenditures pursuant to AB 1054. The Commission recently issued a financing order approving Southern California Edison's request to securitize such expenditures pursuant to AB 1054. See D.20-11-007.

⁹ In this respect, the estimated capital structure ratios presented in this Advice Letter differ from those presented in I.19-09-016, which assumed the securitization and related capital structure adjustments were effectuated. See I.19-09-016, Exhibit PGE-14, PlanOfReorganizationOII-2019_DR_MISC_Atch05Tab 13.

Absent securitization, the \$6 Billion Temporary Utility Debt would initially be refinanced with long-term debt. Consistent with PG&E's commitments, deleveraging would occur through realization of shareholder Net Operating Losses, which is expected to begin in 2024.

If the Commission approves the Rate-Neutral Securitization as proposed, including the requested adjustments to PG&E's ratemaking capital structure, the estimated year-end equity ratios shown in Table 1 would substantially improve. PG&E will present updated capital structure ratios in its next annual Tier 1 advice letter pursuant to D.20-05-053, or sooner if the Commission so directs.

As described in A.20-05-005,¹⁰ PG&E calculates the capital structure ratios set forth in Table 1 in accordance with GAAP, with the following two adjustments to its equity balance:

1. Wildfire Fund contributions. Pursuant to Public Utilities Code section 3292(g), "[a]ll initial and annual contributions [to the Wildfire Fund] shall be excluded from the measurement of the authorized capital structure." No adjustment is required in connection with the contributions themselves because PG&E plans to finance those contributions to the Wildfire Fund with debt and equity consistent with its authorized capital structure (48 percent debt, 52 percent equity). To give effect to the statute, however, an adjustment is necessary to remove the reduction to equity that results from amortization of the Fund contributions. Specifically, PG&E will recognize charges to earnings reflecting amortization of the contributions over 15 years. For purposes of its ratemaking capital structure, PG&E adds back to equity the after-tax charges to earnings reflecting the amortization of the initial and ongoing contributions to the Wildfire Fund.
2. Wildfire mitigation capital expenditures. Pursuant to Public Utilities Code section 8386.3(e), and consistent with the Commission's decision approving PG&E's 2020 General Rate Case Settlement Agreement, PG&E is required to finance certain Community Wildfire Safety Program capital expenditures with 100% debt, which PG&E anticipates will be replaced with securitized debt pursuant to future applications to securitize such expenditures under Public Utilities Code section 850.1. For purposes of calculating its projected capital structure, PG&E excludes any such debt, including any conventional debt financing of these expenditures prior to refinancing with securitized debt, from the capital structure calculation.

¹⁰ D.20-12-025, mimeo at 41-42.

PG&E's currently authorized long-term debt and common equity ratios are 47.5% and 52.0%, respectively.¹¹

Table 1							
Pacific Gas and Electric Company							
End of Period Ratios^{1, 2}							
	September 30, 2020		2020E	2021E	2022E	2023E	2024E
Long-term Debt							
Common Equity							
Preferred Stock							
Total	100%		100%	100%	100%	100%	100%

¹ Excludes: (i) charges to equity related to contributions to the California Wildfire Fund, and (ii) debt that finances AB 1054 capital expenditures prior to securitization.

² For purposes of these ratios, PG&E treats the \$1.5 billion short-term debt portion of the \$6 Billion Temporary Utility Debt as long-term debt, since that more accurately reflects PG&E's leverage in the absence of the Rate-Neutral Securitization because the \$1.5 billion of short-term debt would be refinanced with long-term debt.

The confidential capital structure ratios set forth in Table 1, and the total amount of PG&E Corporation debt to be retired through 2024 based on the confidential financial forecast, have been redacted in the public version of this Advice Letter. An unredacted version of the Advice Letter will be submitted under confidential seal to the Energy Division, and made available on a confidential basis to parties to I.19-09-016 and A.19-04-014 that executed non-disclosure agreements in those proceedings upon request.

Credit Ratings

D.20-05-053 also directs PG&E to inform the Commission of PG&E's current secured and unsecured credit ratings. Table 2, below, provides the requested data. PG&E does not presently have credit ratings for unsecured debt because it has no unsecured debt outstanding. PG&E's credit ratings have not changed since PG&E exited bankruptcy on July 1, 2020.

¹¹ See D.19-12-056, mimeo at 54-55, OP 2.

Table 2				
Pacific Gas and Electric Company				
Current Credit Ratings				
		Standard and Poor's	Moody's	Fitch
Secured Debt		BBB-	Baa3	BBB-
Issuer Rating		BB-	Ba2	BB
Unsecured Debt		NA	NA	NA

Protests

*****Due to the COVID-19 pandemic and the shelter at home orders, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than January 19, 2021, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
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, telephone number, postal address, and (where appropriate) 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 9 of D.20-05-053, this advice letter is submitted with a Tier 1 designation. PG&E requests that this Tier 1 advice submittal become effective on the date of submittal, which is December 30, 2020.

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.19-04-014 and I.19-09-016. 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/

Erik Jacobson
Director, Regulatory Relations

cc: Service List A.19-04-014
Service List I.19-09-016



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 (ID U39M)

Utility type:

☒ ELC ☒ GAS ☐ WATER
☐ PLC ☐ HEAT

Contact Person: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@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) #: 4354-G/6040-E

Tier Designation: 1

Subject of AL: Annual Update on Capital Structure in Compliance with OP 9 of Decision 20-05-053

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.20-05-053

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:

Confidential treatment requested? ☒ Yes ☐ No

If yes, specification of confidential information: See Confidentiality Declaration

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, (415)973-8956, MKBd@pge.com

Resolution required? ☐ Yes ☒ No

Requested effective date: 12/30/20

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 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

Name: Erik Jacobson, 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

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

Clear Form

**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 Treasurer and Senior Director of Pacific Gas and Electric Company (“PG&E”), a California corporation. My business office is located at:

Pacific Gas and Electric Company
77 Beale Street, Mail Code B12A
San Francisco, CA 94105

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.

Name or Docket No. of CPUC Proceeding (if applicable): Tier 1 Advice Letter pursuant to Ordering Paragraph 9 of D.20-05-053 in I.19-09-016

3. Title and description of document(s): Advice Letter 4354-G/6040-E referencing (i) total amount of PG&E Corporation debt to be retired through 2024 based on a confidential financial forecast, and (ii) confidential End of Period Ratios set forth in Table 1.
4. The total amount of PG&E Corporation debt to be retired through 2024 based on a confidential financial forecast, and the capital structure ratios set forth as End of Period Ratios in Table 1, reflect confidential information that, based on my information and belief, has not been publicly disclosed. This information has been redacted, and the basis for confidential treatment is because it reflects financially sensitive information that is subject to

Securities Exchange Commission disclosure requirements, if its confidential status is not protected by the Commission. This information has been protected as confidential by PG&E.

Check	Basis for Confidential Treatment	Where Confidential Information is located on the documents
☐	Customer-specific data, which may include demand, loads, names, addresses, and billing data (Protected under PUC § 8380; Civ. Code §§ 1798 <i>et seq.</i>; Govt. Code § 6254; Public Util. Code § 8380; Decisions (D.) 14-05-016, 04-08-055, 06-12-029)	
☐	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 (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)	
☐	Physical facility, cyber-security sensitive, or critical energy 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 (Protected under Govt. Code § 6254(k), (ab); 6 U.S.C. § 131; 6 CFR § 29.2)	
☒	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data (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)	Total amount of PG&E Corporation debt to be retired through 2024, page 3 of Advice Letter 4354-G/6040-E; End of Period Ratios set forth in Table 1 of Advice Letter 4354-G/6040-E
☒	Corporate financial records (Protected under Govt. Code §§ 6254(k), 6254.15)	Total amount of PG&E Corporation debt to be retired through 2024, page 3 of Advice

		Letter 4354-G/6040-E; End of Period Ratios set forth in Table 1 of Advice Letter 4354- G/6040-E
☐	Third-Party information subject to non-disclosure or confidentiality agreements or obligations (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 29th day of December, 2020 at San Francisco, California.



MARGARET BECKER
Treasurer and Senior Director
Pacific Gas and Electric Company

**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
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

Office of Ratepayer Advocates
OnGrid Solar
Pacific Gas and Electric Company
Peninsula Clean Energy

Pioneer Community Energy

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