



FILED
09/25/20
04:59 PM

APPENDIX A
A.20-07-008 WILD TREE FOUNDATION
FINANCING ORDER SUGGESTED LANGUAGE

FINANCING TEAM

D. To Satisfy the Requirements of AB 1054, the Recovery of Recovery Costs Through the Designation of the Fixed Recovery Charges and the Issuance of Recovery Bonds Must Also Reduce, to the Maximum Extent Possible, Rates on a Present Value Basis that Consumers within SCE's Service Territory Would Pay as Compared to the Use of Traditional Utility Financing Mechanisms

1. SCE's proposal does not meet the statutory standard because it fails to address the conflict of interests between the underwriter and the bonds advisor and gives the Commission no post-authorization role in the supervision and negotiation of securitization-related documents.

SCE has not demonstrated that recovery of Recovery Costs through the designation of the Fixed Recovery Charges and the issuance of Recovery Bonds would reduce, to the maximum extent possible, rates on a present value basis that Consumers within SCE's Service Territory would pay as compared to the use of traditional utility financing mechanisms, which pursuant to Section 850.1(a)(1)(A)(ii)(III) is calculated using SCE's corporate debt and equity in the ratio approved by the Commission as currently in effect.

As described in Exhibit SCE-04 of the Application, and based upon the assumptions presented in that Exhibit, SCE maintains that issuance of the Recovery Bonds will reduce consumer rates by approximately \$174 million on a present value basis and \$261 million on a nominal basis as compared to the recovery of the Initial AB 1054 CapEx through traditional utility financing of the Initial AB 1054 CapEx. But as Wild Tree has pointed out in its briefs and testimony, that is not the statutory test. SCE must, but has failed to demonstrate, not only that its proposal will save consumers money compared to use of conventional financing, but that its

proposal will reduce those costs, on a present value basis, to the maximum extent possible.

We recognize that the revenue recovery bonds approved through this Financing Order are very different from the typical bonds issued by SCE. Pursuant to AB 1054, we must forego future regulatory oversight in order to create a financing instrument of superior quality and a completely separate credit from the sponsoring utility. If the Commission finds that an application for a recovery bond meets the standards set out in Public Utilities Code Sections 850 et seq., we are required to issue an irrevocable financing order in which the sponsoring utility, SCE, is insulated from most costs associated with the financing. We are also required to approve a true-up mechanism, as we have done in this Financing Order, that commits this Commission to periodically adjust the recovery charge that supports the recovery bonds to whatever level is necessary to make timely payments of principal and interest on the bonds. In addition, the State and this Commission are required to pledge to Bondholders, among other things, never to take or permit any action to be taken that would interfere with their right to payment. The irrevocable nature of this Financing Order, the direct broad-based recovery charge applied to all SCE ratepayers, the unconditional Commission guarantee to adjust the recovery charge as necessary, and the explicit pledge of the State not to interfere with the Bondholders' rights to repayment result in an incredibly strong senior, secured credit independent of SCE.

We also recognize that the recovery bonds approved through this Financing Order are different from the typical bonds issued by SCE in terms of the degree of Commission oversight after the issuance. In typical utility debt financings, this Commission retains the right to disallow any unreasonable or imprudent costs for ratemaking purposes, including adjustments for the interest rate. For the proposed issuance of the recovery bonds, while the issuance costs are subject to Commission review (and as part of that review the Commission shall only consider

actual upfront bond issuance costs, but not ongoing financing costs, interest rate, or pricing of the bonds), we find that an after-the-fact review of the interest rate achieved will not allow us to determine whether the lowest overall cost standard has been achieved.

We recognize that another difference between typical utility bonds and the recovery bonds approved through this Financing Order is how these bonds impact SCE's financial position. In more typical debt offerings, SCE has a strong incentive to negotiate hard with underwriters for the lowest possible interest rates as well as the lowest possible underwriting fees. SCE also has a strong incentive to minimize other issuance costs. Between rate cases, the benefit from a low net cost of funds is enjoyed at least in part by SCE's shareholders, and the detriment from a high net cost of funds is borne at least in part by these same shareholders. These same checks and balances do not exist for the issuance of the recovery bonds. While typical utility bonds directly impact SCE's financial ratios, the recovery bonds are not direct obligations of SCE and are non-recourse to SCE. For these reasons, the same incentives and consequences for pursuing a lowest overall cost of funds with regard to SCE's typical utility bonds are not present with respect to the proposed recovery bonds.

Further, we find that unless the superior credit quality of these bonds is accurately and completely reflected in the marketing materials, there is no assurance that the recovery bonds approved through this Financing Order will achieve the lowest possible net present value cost standard.

2. Authorization is conditioned on SCE's agreement to the Commission's retention of an independent financing team that would participate in a collaborative process leading to the issuance of the recovery bonds.

To ensure that the lowest possible cost standard is met, this Commission, following its own precedent and the best practices of other state public utility commissions that have approved

the use of securitized revenue recovery bonds, will have the sole authority to retain its financial advisor and its outside legal counsel and, if needed, terminate and replace the financial advisor or outside legal counsel. We will accomplish this by the establishment of an independent Financing Team. The Financing Team, consisting of financial experts in utility securitization and legal advisors knowledgeable about such securitizations and each independent of underwriters, will oversee the development of the competitive solicitation and selection of some or all underwriters, underwriters' counsel, trustee services and other transaction arrangements as deemed appropriate by the Financing Team, other than SCE's counsel and issuer's counsel. This Financing team will ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of transaction participants that have experience and the ability to achieve the lowest overall cost standard.

This will allow for meaningful and substantive cooperation among SCE and this Commission and its representatives to ensure that the structuring, pricing, and financing costs of the recovery bonds will achieve AB 1054's lowest overall cost standard. Cooperation among SCE and this Commission will promote transparency in the recovery bond pricing process, thereby promoting the integrity of the issuance process. In this regard, this Commission's financial advisor needs to be an active and visible participant in the actual pricing process in real time if we are to obtain maximum benefits for ratepayers.

The Financing Team shall review the recovery bond transaction documents to ensure that the lowest overall cost standard is achieved, to ensure that the transaction documents reflect the terms of this Financing Order and to ensure that the greatest possible customer protections are included. All legal opinions related to the recovery bond transaction shall be provided to the Financing Team for review.

The Financing Team shall have the opportunity to review the presentations to the rating agencies and to make recommendations in furtherance of achieving the lowest overall cost standard; provided, however, that SCE shall be the sole decision maker in all aspects of the structuring, marketing and pricing of the recovery bonds that, in the sole view of SCE would expose SCE or the special purpose entity (SPE) to securities law or other potential liability (i.e., such as, but not limited to, the making of any untrue statement of a material fact or omissions to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (e.g., including but not limited to terms and conditions of the underwriting agreement(s)).

The Financing Team shall work on a cooperative basis (a) to educate and expand the market among underwriters and investors for the recovery bonds and (b) to create the greatest possible participation and competition among underwriters and investors in order to ensure that the statutory cost objectives and the lowest overall cost standard are achieved.

No later than 5:00 p.m. Eastern time on the second business day following pricing, this Commission's financial advisor shall deliver to this Commission an opinion letter consistent with the terms of its contract as to whether the structuring, marketing and pricing of the recovery bonds achieved: (1) the statutory cost objectives; (2) the lowest recovery charges consistent with prevailing market conditions at the time of pricing, terms and conditions and terms of this Financing Order, and other applicable law; and (3) the greatest possible customer protections. That opinion letter shall include a report of any action or inaction which this Commission's financial advisor believes might have caused the transaction not to achieve the statutory cost objectives, the lowest recovery charges, and/or the greatest possible customer protections regardless of whether the reason for action or inaction by SCE was the result of SCE's sole view

that the action or inaction would expose SCE or the SPE to securities law or other potential liability, the report of any such action or inaction which this Commission's financial advisor believes might have caused the transaction not to achieve the statutory cost objectives, the lowest recovery charges, and/or the greatest possible customer protections, regardless of whether the reason for action or inaction by SCE was the result of SCE's sole view that the action or inaction would expose SCE or the SPE to securities law or other potential liability, shall be treated as a material qualification to the opinion letter of this Commission's financial advisor. Such opinion letter may be provided to this Commission on a confidential basis subject to the ability of parties to this proceeding to review it on a confidential basis.

PRE-ISSUANCE REVIEW PROCESS

To Ensure that Recovery Bonds Will Reduce, to the Maximum Extent Possible, Rates on a Present Value Basis that Consumers within SCE's Service Territory Would Pay as Compared to the Use of Traditional Utility Financing Mechanisms, a Pre-Issuance Review Process is Required.

SCE shall file with this Commission a draft of an Issuance Advice Letter ("IAL") and Form of True-Up Adjustment Letter ("TUAL") (combined into one document) in the form of Attachment 2 hereto at least two weeks prior to the expected pricing of the recovery bonds based upon the best information available at that time. Other aspects of the certifications may be modified to describe the particulars of the recovery bonds and the actions that were taken during the transaction. Such draft shall include drafts of any certifications of SCE to be provided in connection with the filing of the final IAL/TUAL. Such certifications may be provided to this Commission on a confidential basis. Within one week of receiving the proposed form of combined IAL/TUAL, the members of the Financing Team representing this Commission shall

provide comments and recommendations to SCE regarding the adequacy of information proposed to be provided. This Commission, acting directly, or through this Commission's staff designee, may agree to waive the prescribed time period for submission and review of the draft IAL/TUAL and any failure to provide written comments to the draft IAL/TUAL within the prescribed time period will conclusively evidence a waiver of any objections. Prior to the submission of the first draft of the IAL/TUAL and through the period ending with the issuance of the recovery bonds, SCE will provide the Financing Team with timely information so that this Commission's representatives on the Financing Team can participate fully and in advance regarding all aspects relating to the structuring, marketing and pricing of the recovery bonds.

SCE shall file a combined IAL/TUAL in final form with this Commission no later than 5:00 pm Eastern time one business day after actual pricing at which time a meeting will be noticed for three business days after pricing to afford this Commission an opportunity to review the proposed transaction. As shown in the form of IAL/TUAL, the combined IAL/TUAL shall include the following information: the actual structure of the recovery bond issuance; the expected and final maturities of the recovery bonds; over-collateralization levels (if any); any other credit enhancements; revised estimates of the upfront bond issuance costs proposed to be financed from proceeds of the recovery bonds and estimates of debt service and other ongoing financing costs for the first Remittance Period; a statement of the actions taken by the Financing Team and/or SCE in the marketing of the bonds; a comparison of the pricing relative to an independent benchmark versus other similar securities historically and at the time of pricing; the amount of orders received and investors that placed the orders (on a confidential basis); and other information deemed necessary by the members of the Financing Team representing this Commission after review of the draft combined IAL/TUAL, provided that such other

information is consistent with the terms of this Financing Order; and a statement setting forth SCE's observations as to efforts made to assist the Financing Team in achieving the lowest overall cost standard. Finally, the combined IAL/TUAL shall include certifications from SCE if required, that the structuring, pricing and financing costs of the recovery bonds achieved the statutory cost objectives.

The members of the Financing Team will review this information on the second business day after pricing. If the IAL/TUAL and all required certifications and statements have been delivered and the transaction complies with applicable law and this Financing Order, and if this Commission's financial advisor has delivered an opinion letter concluding without material qualification that the structuring, marketing and pricing of the recovery bonds achieved: (1) the statutory cost objectives; (2) the lowest overall cost standard; and (3) the greatest possible customer protections, then the transaction shall be allowed to proceed without the need for further action of this Commission and without the need to hold the previously noticed Commission meeting. If, however, this Commission's financial advisor has delivered an opinion letter that contains material qualifications, or if the Commission's financial advisor has not delivered an opinion letter, then at the meeting previously noticed for the third business day after pricing, the members of the Financing Team will present to this Commission the results of their review. Despite there being material qualifications in the opinion letter from the Commission's financial advisor, this Commission retains discretion to allow the transaction to be completed if, after taking into account the opinion letter, if any, of the Commission's financial advisor, the views of other members of the Financing Team, and any other facts and circumstances, except for a change in market conditions after the moment of pricing, this Commission determines that the requirements of AB1054, and the Financing Order have been satisfied, and the transaction is

otherwise in the best interests of customers. This Commission expects that any stop order will invite SCE to restructure, remarket and/or reprice the recovery bonds so as to mitigate some or all of the concerns identified in the opinion letter of the Commission's financial advisor.

No adjustment is necessary for the deferred tax liability.

The Issuance Advice Letter process described above and as conditioned by this Financing Order, is reasonable and consistent with the statutory financing cost objective contained in AB 1054.

SCE will retain sole discretion regarding whether or when to assign, sell or otherwise transfer any rights concerning recovery property arising under this Financing Order, or to cause the issuance of any recovery bonds authorized in this Financing Order; provided, that any issuance must satisfy the statutory financing cost objective. Subject to the Issuance Advice Letter procedures described above, SPE will issue the recovery bonds on or after the fifth business day after pricing of the recovery bonds.

APPROVAL OF THE RECOVERY BOND

We conclude for the previously stated reasons that, absent the conditions specified above, the Recovery Bonds proposed by SCE in the Application do not satisfy all the conditions for approval established by Article 5.8. Because issuance of the Recovery Bonds will provide substantial benefits to SCE's Consumers, in this Financing Order we authorize the issuance of Recovery Bonds in the Authorized Amount, but subject to SCE's agreement to the requirements specified in this Financing Order.

The final structure and terms of the Recovery Bonds will be determined by SCE after marketing and after input from the rating agencies, the underwriters and approval by the

Commission after it receives the input of the Financing Team.

Thus, for example, we are not approving SCE's current proposal to market the Recovery Bonds as asset-backed securities, as we are not convinced that this is the most advantageous mechanism to reduce consumer costs. Nor, in the absence of a sensitivity study, can we conclude that SCE's proposed bond maturity of 18 years will maximize the present value to ratepayers. Similarly, SCE has not demonstrated that establishing a series of SPEs for each of its planned securitizations will be the optimal arrangement for ratepayers when the securitizations could be arranged as a series to be issued by a single SPE, avoiding the costs associated with setting up multiple SPEs. Nor can we preapprove the ancillary documentation. SCE has not shown that it has adequately considered the benefits of utilizing competitive bidding to secure the necessary ancillary services.

The final structure and terms will be described in an Issuance Advice Letter submitted to the Commission and subject to the Commission's review and approval as described in this Financing Order. In this Financing Order we approve a Recovery Bond transaction as presented in SCE's testimony and meeting the conditions set out in this Financing Order.

For the reasons stated previously, the Commission is not opposed to the issuance of a series of bonds, but we cannot agree, absent input from the Financing Team, whether it would be appropriate to utilize multiple SPEs for this purpose when a Series Trust may produce greater savings to consumers.

SERVICING FEES

SCE has represented that in order to obtain the necessary true sale and bankruptcy opinions, the SPE must pay a servicing fee to SCE that is set at a level that constitutes fair and adequate

consideration sufficient to obtain the true sale and bankruptcy opinions required for the Securitization. We accept SCE's representation but are concerned that the revenues SCE would receive may substantially exceed its actual costs to provide the servicing function. To satisfy this requirement, SCE proposes to charge an annual servicing fee of \$168,571 (representing a servicing fee of 0.05 percent of the initial principal amount) plus out-of-pocket expenses (e.g., legal, accounting fees), to cover SCE's incremental costs and expenses in servicing the Recovery Bonds. In this Financing Order, the Commission authorizes SCE to charge an annual servicing fee in this amount. But, to the extent SCE's servicing function revenues exceed the incremental cost to perform the servicing function, through adjustments to rates other than the bond recovery charges SCE shall be required to credit its customers with an amount equal to the excess of its servicing fees revenues over its costs to provide the service.

FINDING OF FACT

SCE has not shown that the savings to consumers it forecasts represent the lowest possible present value benefit to ratepayers as required by AB 1054. Input from the Financing Team is necessary to determine (1) whether the tranches should be issued by a single SPE or multiple SPEs as SCE has proposed; maturity; (2) when the tranches should be issued and in what amounts, (3) the maturity dates of the bond issuances, (4) whether or not to issue the bonds as asset-backed securities, (4) what steps are necessary to ensure that ancillary costs associated with the financing are the lowest possible costs to consumers and (5) whether other steps are necessary to meet the standards of AB1054.

Because of its insulation from recovery risk SCE does not have the incentives to secure the lowest possible present value cost to ratepayers.

Because its proposal would permit its financial advisor to also serve as the underwriter, and because such an arrangement would create a conflict of interest on the part of the advisor, SCE's proposal does not contain the conditions necessary to secure the lowest possible present value cost to ratepayers.

Because SCE has not shown that its securitization advisors have the requisite expertise and independence, SCE's proposal does not contain the conditions necessary to secure the lowest possible present value cost to ratepayers.

The conditions discussed earlier in this order regarding the role of the Financing Team are necessary to ensure that ratepayers are protected to the maximum extent possible.

It is reasonable for the Bond Trustee to pay an annual servicing fee charged by SCE of 0.05 percent of the initial principal amount of the Recovery Bonds, together with out-of-pocket expenses (e.g., legal, accounting fees) subject to the true-up conditions this Commission has identified earlier. Without such protections the servicing fees SCE collects, which are likely to far exceed its incremental cost to perform the servicing function, will result on a windfall to SCE. Should it be necessary for the Bond Trustee to pay a servicing fee instead to a third party provider, the annual servicing fee charged by an unaffiliated third- party servicer shall be no greater than 0.60 percent

of the initial principal amount of the bonds.

ORDER

59. Recovery bonds may be issued in one or more series, each series with one or more tranches. Each SPE is authorized to enter into one or more Indentures, consistent with the terms and conditions of this Financing Order, provided that SCE shall not create more than one SPE unless separate SPEs are required by the rating agencies to achieve the highest possible credit ratings. Subject to compliance with the requirements of this Financing Order, SCE and each SPE shall be afforded flexibility in establishing the terms and conditions of the recovery bonds, repayment schedules, term, debt service payment dates, collateral, redemption provisions, credit enhancement, required debt service, reserves, interest rates, indices and other financing costs.

60. This Commission's designated staff and financial advisor shall be visibly involved, in advance, in all aspects of the structuring, marketing, and pricing of the Recovery Bonds.

61. All Financing Team members shall actively participate in the design of the marketing materials for the transactions as well as in the development and implementation of the marketing and sales plan for the bonds.

62. This Commission's staff and its financial advisor, as Financing Team members, excluding SCE's structuring advisor, shall have equal rights on the hiring decisions for the underwriters and counsel to the underwriters. However, SCE shall have sole right to select and engage all counsel for SCE and the SPE.

63. The final structure of the transaction, including pricing, shall be subject to review by this Commission for the limited purpose of ensuring that all requirements of law and this Financing Order have been met.

64. Together with the Financing Team's involvement in the structuring, marketing and pricing of the Recovery Bond, and the Issuance Advice Letter process, this Commission shall be able to fully review the pricing of the bonds as this Commission determines whether to issue a stop order no later than 5:00 pm Eastern time on the third business day following pricing.

65. The members of the Financing Team shall work cooperatively to achieve the statutory cost objectives and the lowest overall cost standard.

66. SCE and the underwriters shall cooperate with all members of the Financing Team and shall do all things reasonably necessary to enable all members of the Financing Team to meet the obligations stated in this Financing Order, including without limitation providing timely information to this Commission's financial advisor as needed to enable this Commission's financial advisor to fulfill its obligation to advise this Commission and to deliver its opinion letter as set forth in prior ordering paragraphs.

67. SCE on a timely basis shall provide to each member of the Financing Team all information such member reasonably needs to fulfill its obligations under the Financing Order.

68. The role of this Commission's financial advisor will include, among other things, advising this Commission and its staff whether or not SCE's proposed structuring, marketing, pricing and

financing costs of recovery bonds meet all statutory requirements, including the the lowest overall cost standard. At the direction of this Commission staff, such financial advisor may represent this Commission as an active participant in the actual pricing process in real time. The financial advisor shall promptly inform this Commission's staff of any items that, in the financial advisor's opinion, are not reasonable or are not consistent with applicable statutory requirements, the statutory cost objectives, including the lowest overall cost standard so that such concerns can be brought to the attention of SCE in real time.

69. This Commission's financial advisor shall not have any financial interest in the recovery bonds nor participate in the underwriting or secondary market trading of the recovery bonds. Any ongoing financing costs (i.e., costs associated with this Commission's review of the actual costs of the recovery bond issuance associated with this Commission's financial advisor and with this Commission's consultants and any legal counsel that are eligible for compensation and approved for payment under the terms of such party's contract with this Commission, as such contract may be modified by any amendment entered into at this Commission's sole discretion), are deemed reasonable for purposes of recovery through the proceeds of Recovery Bond issued pursuant to this Financing Order.

70. SCE, in consultation with the other members of the Financing Team, subject to Ordering Paragraph 78, shall determine whether issuing a series of recovery bonds through a negotiated sale or a competitive sale or combination thereof will achieve the statutory cost objectives, including the lowest overall cost standard.

71. Subject to the process set forth in Ordering Paragraph 78, the Financing Team shall oversee the development of the competitive solicitation and selection of some or all underwriters, underwriters' counsel, trustee services and other transaction arrangements as deemed appropriate by the Financing Team, other than SCE's counsel and issuer's counsel to ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of transaction participants that have experience and the ability to achieve the lowest overall cost standard.

72. Subject to Ordering Paragraph 78, the Financing Team shall review the recovery bond transaction documents to ensure that the transaction documents reflect the terms of this Financing Order and otherwise to ensure that the greatest possible customer protections are included.

73. All transaction documents and subsequent amendments associated with the asset-recovery bonds shall be reviewed by the Financing Team before becoming operative to ensure that the lowest overall cost standard is achieved, to ensure that the transaction documents reflect the terms of this Financing Order, and to ensure that the greatest possible customer protections are included.

74. All legal opinions associated with the recovery bonds shall be submitted to this Commission automatically without requiring this Commission to specifically request the documents.

75. All legal opinions related to the recovery bond transaction shall be provided to the Financing Team for review.

76.SCE shall be the sole decision maker in all aspects of the structuring, marketing and pricing of the recovery bonds that, in the sole view of SCE would expose SCE or the SPE to securities law or other potential liability (i.e., such as, but not limited to, the making of any untrue statement of a material fact or omissions to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (e.g., including but not limited to terms and conditions of the underwriting agreement(s)).

77.A Commissioner will be designated to resolve any issue as to which the SCE and Commission staff joint decision makers are unable to reach agreement. Any such matter shall be presented by the SCE and Commission staff joint decision makers to the Commissioner by email or in other writing. The Commissioner shall announce his or her decision on each matter presented by email or other writing to the SCE and Commission staff joint decision makers as soon as reasonably possible. As agreed upon by the parties to this proceeding, the decision of the Commissioner on all such matters shall be final and not subject to review by this Commission.

78.Subject to Ordering Paragraph 77 the Financing Team shall have the opportunity to review the presentations to the rating agencies and to make recommendations in furtherance of achieving the lowest overall cost standard; provided, however, that SCE shall be the sole decision maker in all aspects of the structuring, marketing and pricing of the Recovery Bond that, in the sole view of SCE would expose SCE or the SPE to securities law or other potential liability (i.e., such as, but not limited to, the making of any untrue statement of a material fact or omissions to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (e.g., including but not limited to terms and conditions of the

underwriting agreement(s).

79. Subject to Ordering Paragraphs 76 and 77, the Financing Team shall work on a cooperative basis (a) to educate and expand the market among underwriters and investors for recovery bonds and (b) to create the greatest possible participation and competition among underwriters and investors in order to ensure that the statutory cost objectives and the lowest overall cost standard are achieved.

80. Subject to Ordering Paragraph 77 and subject to a possible stop order of this Commission issued no later than 5:00 p.m. Eastern time on the third business day following pricing, SCE and the Financing Team shall be afforded flexibility in determining the final terms of each series of the Recovery Bond, including payment and maturity dates, interest rates (or the method of determining interest rates), the terms of any interest rate swap agreement or similar agreement, the creation and funding of any supplemental capital, reserve or other subaccount, and the issuance of Recovery Bond through either one SPE or multiple SPEs, except as otherwise provided in this Financing Order.

81. The combined IAL/TUAL in substantially the form of Attachment 2 hereto is approved.

82. SCE shall file for review and comment by the Financing Team a draft combined IAL/TUAL substantially in the form of Attachment 2 hereto at least two weeks prior to the expected pricing of the recovery based upon the best information available at that time. Other aspects of the certifications may be modified to describe the particulars of the recovery bonds and the actions that were taken during the transaction. Such draft shall include drafts of any certifications of SCE

to be provided in connection with the filing of the final IAL/TUAL. Such certifications may be provided to this Commission on a confidential basis. Within one week of receiving the proposed form of combined IAL/TUAL, the members of the Financing Team representing this Commission shall provide comments and recommendations to SCE regarding the adequacy of information proposed to be provided. This Commission, acting directly, or through this Commission's staff designee, may agree to waive the prescribed time period for submission and review of the draft IAL/TUAL and any failure to provide written comments to the draft IAL/TUAL within the prescribed time period shall conclusively evidence a waiver of any objections. Prior to the submission of the first draft of the IAL/TUAL and through the period ending with the issuance of the recovery bonds, SCE shall provide the Financing Team with timely information so that this Commission can participate fully and in advance regarding all aspects relating to the structuring, pricing and financing costs of the Recovery Bond. It is further

83. SCE shall file a combined IAL/TUAL in final form with this Commission no later than 5:00 pm Eastern time one business day after actual pricing at which time a meeting will be noticed for three business days after pricing to afford this Commission an opportunity to review the proposed transaction. As shown in the form of IAL/TUAL in Attachment 2, the combined IAL/TUAL shall include the following information: the actual structure of the recovery bond issuance; the expected and final maturities of the recovery bonds; over-collateralization levels (if any); any other credit enhancements; revised estimates of the upfront bond issuance costs proposed to be financed from proceeds of the Recovery Bond and estimates of debt service and other ongoing financing costs for the first Remittance Period; a statement of the actions taken by the Financing Team and/or SCE in the marketing of the bonds; a comparison of the pricing relative to an independent benchmark

versus other similar securities historically and at the time of pricing; the amount of orders received and investors that placed the orders (on a confidential basis); and other information deemed necessary by the members of the Financing Team representing this Commission after review of the draft combined IAL/ITUAL, provided that such other information is consistent with the terms of this Financing Order; and a statement setting forth SCE's observations as to efforts made to assist the Financing Team in achieving the lowest overall cost standard. Finally, the combined IAL/TUAL shall include certifications from SCE if required, that the structuring, pricing and financing costs of the Recovery Bond achieved the statutory cost objectives.

84.No later than 5:00 p.m. Eastern time on the second business day following pricing, this Commission's financial advisor shall deliver to this Commission an opinion letter consistent with the terms of its contract as to whether the structuring, marketing and pricing of the recovery bonds achieved: (1) the statutory cost objectives; (2) the lowest recovery charges consistent with prevailing market at the time of pricing, terms and conditions and terms of this Financing Order, and other applicable law; and (3) the greatest possible customer protections. That opinion letter shall include a report of any action or inaction which this Commission's financial advisor believes might have caused the transaction not to achieve the statutory cost objectives, including the lowest recovery charges, and/or the greatest possible customer protections, regardless of whether the reason for action or inaction by SCE was the result of SCE's sole view that the action or inaction would expose SCE or the SPE to securities law or other potential liability. The report of any such action or inaction which this Commission's financial advisor believes might have caused the transaction not to achieve the statutory cost objectives, including the lowest recovery charges, and/or the greatest possible customer protections, regardless of whether the reason for action or inaction by SCE was the result of SCE's sole view that the action or inaction would expose SCE

or the SPE to securities law or other potential liability shall be treated as a material qualification to the opinion letter of this Commission's financial advisor. Such opinion letter may be provided to this Commission on a confidential basis subject to the ability of parties to this proceeding to review it on a confidential basis.

85. Members of the Financing Team shall review this information on the second business day after pricing. If all required certifications and statements have been delivered and the transaction complies with applicable law and this Financing Order, and if this Commission's financial advisor has delivered an opinion letter concluding without material qualification that the structuring, marketing and pricing of the Recovery Bond achieved: (1) the statutory cost objectives; (2) the lowest overall cost standard; and (3) the greatest possible customer protections, then the transaction shall proceed without the need for further action of this Commission and without the need to hold the previously noticed Commission meeting. If, however, this Commission's financial advisor has delivered an opinion letter that contains material qualifications, or if the Commission's financial advisor has not delivered an opinion letter, then at the meeting previously noticed for the third business day after pricing, the members of the Financing Team will present to this Commission the results of their review. Despite there being material qualifications in the opinion letter from the Commission's financial advisor, this Commission retains discretion to allow the transaction to be completed if, after taking into account the opinion letter, if any, of the financial advisor, the views of other members of the Financing Team, and any other facts and circumstances, except for a change in market conditions after the moment of pricing, this Commission determines that the requirements of Public Utilities Code Sections 850 et seq. and the Financing Order have been satisfied. It is further

88. ORDERED that, if this Commission does not, prior to 5:00 p.m. Eastern Time on the third business day after pricing, issue a stop order, this Commission, without the need for further action and pursuant to our authority under this Financing Order, will affirmatively and conclusively be deemed to have (i) authorized SCE and SPE to execute the issuance of the proposed series of Recovery Bond on the terms set forth in the Issuance Advice Letter, (ii) approved SCE's recovery of the upfront bond issuance costs proposed to be financed from the proceeds of the Recovery Bond subject to review pursuant to Public Utilities Code Sections 850 et seq., and (iii) determined that all standards, procedures, conditions, requirements, and objectives set forth in this Financing Order have been satisfied and that the requirements of Public Utilities Code Sections 850 et seq. have been met.

89. ORDERED that the degree of flexibility set forth in the "Flexibility" section of this Financing Order is hereby approved.

90. ORDERED that the Financing Team may require some or all underwriters of the Recovery Bond to deliver periodic reports on a confidential basis to members of the Financing Team presenting independently derived indicative pricing levels for the Recovery Bond before any public offering of the Recovery Bond is launched. The Financing Team may also request one or more of the bookrunning underwriters to deliver an opinion letter as to whether the structuring, marketing, and pricing of the Recovery Bond achieved the lowest overall cost standard. It is further

91. ORDERED that, upon the request of any member of the Financing Team, the bookrunning underwriter(s) of the Recovery Bond shall provide to all members of the Financing Team a copy

of any term sheet, prospectus, or other marketing materials used by the underwriting syndicate in marketing the Recovery Bond, together with documentary verification that these marketing materials received a broad distribution to potential investors most likely to accept the lowest yields on the Recovery Bond.

92. ORDERED that SCE shall credit back to customers through rates separate from the recovery bond charges authorized herein the capacity cost recovery clause all periodic servicing fees in excess of SCE's or an affiliate of SCE's incremental cost of performing the servicing function until the next rate case when costs and revenues associated with the servicing fees will be included in the cost of service; and SCE shall credit back to customers through the capacity cost recovery clause all periodic administration fees in excess of SCE's or an affiliate of SCE's incremental cost of performing the administration function until the next rate case when costs and revenues associated with the administration fees will be included in the cost of service. It is further

95. ORDERED that this Commission guarantees that it will act pursuant to this Financing Order as expressly authorized by Public Utilities Code Sections 850 et seq. to ensure that Recovery Bond charge revenues are sufficient to timely pay principal of and interest on the Recovery Bond issued pursuant to this Financing Order and other costs, including fees and expenses, in connection with the Recovery Bond. It is further

96. ORDERED that, except as set forth in this Financing Order, all regulatory approvals within the jurisdiction of this Commission that are necessary for the securitization of the Recovery Bond and other financing costs that are the subject of the Petition are granted. This Financing Order

constitutes a legal financing order for SCE under Public Utilities Code Sections 850 et seq. This Financing Order complies with Public Utilities Code Sections 850 et seq. A financing order gives rise to rights, interests, obligations, and duties as expressed in Public Utilities Code Sections 850 et seq. It is this Commission's express intent to give rise to those rights, interests, obligations, and duties by issuing this Financing Order.