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

In the Matter of the Application of Pacific Gas
and Electric Company for Authority to Issue
Recovery Bonds for Stress Test Costs Pursuant
to Article 5.8 of the California Public Utilities
Code.

Application 21-01-004
(Filed January 6, 2021)

(U 39 E)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) ON PROPOSED DECISION OF ADMINISTRATIVE LAW
JUDGE ROBERT HAGA**

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Pacific Gas and Electric Company (“PG&E”) files these reply comments pursuant to Rule 14.3(d). As set forth in PG&E’s Opening Comments, PG&E supports the Proposed Decision (“PD”), subject to certain requested technical clarifications and modifications. The Commission should not adopt the flawed changes proposed by intervenors.

I. THE SECURITIZATION SATISFIES SECTION 850.1(a)(1)(A)(ii)(III)

TURN and Wild Tree assert that the Securitization¹ does not satisfy the Section 850.1(a)(1)(A)(ii)(III) requirement to reduce rates to the maximum extent possible as compared to traditional equity financing mechanisms, because the securitized costs are not otherwise recoverable from ratepayers, and thus they assert the financing costs should be compared to zero.² This argument ignores the wording of the statute, which focuses on financing “mechanisms” and expressly calls for comparison of the recovery of the same amount of recovery costs calculated using bond financing versus “calculated using the electrical corporation’s *corporate debt and equity in the ratio approved by the commission at the time of the financing order.*”³ Indeed, the SB 901 statutory scheme is expressly designed to allow for otherwise unrecoverable Stress Test Costs to be securitized,⁴ yet under TURN and Wild Tree’s erroneous interpretation, all Section 451.2 costs would fail the statutory test merely because, by definition, they would not otherwise be recoverable.⁵

The PD correctly notes that the Section 850.1-prescribed comparison does not call for a real world evaluation of all the facts and circumstances.⁶ The PD further correctly notes that even in a real world evaluation, customer savings are maximized by the Securitization.⁷ As

¹ Capitalized terms not defined herein have the meanings given in PG&E’s Application and testimony. All statutory references are to the Public Utilities Code unless otherwise stated.

² TURN Opening Comments at 3-4; Wild Tree Opening Comments at 6-7.

³ Pub. Util. Code § 850.1(a)(1)(A)(ii)(III) (emphasis added).

⁴ Section 451.2(c) expressly provides for issuance of a financing order for 2017 catastrophic wildfire costs that are “disallowed for recovery but exceeding the amount determined [under the Stress Test].”

⁵ TURN’s proposed deletion of language at page 18 of the PD regarding ratepayer benefits from borrowing cost reductions associated with securitization, *see* TURN Opening Comments at 4, similarly ignores SB 901 and the Commission’s determination in A.20-04-023 that PG&E has \$7.5 billion of Stress Test Costs eligible for securitization. *See* D.21-04-030 at 2, 20, and 84 (FOF 6 and 11). The PD’s inclusion of this language is entirely appropriate.

⁶ PD at 26, n.20. The Commission interpreted this provision in the same manner in the SCE Securitization Decision, where the capital costs at issue were not eligible for inclusion in equity rate base. *See* D.20-11-007 at 43 & n.28. *See also* D.20-05-053 at 75 (acknowledging that PG&E could seek to securitize the wildfire claims costs).

⁷ PD at 26, n.20 (“structure maximizes net present value (NPV) savings to the maximum extent possible under the existing circumstances in addition to meeting the strict statutory requirements”).

addressed in the rate neutrality analyses in A.20-04-023, there are substantial customer benefits, including expected interest cost savings from an improved credit rating.⁸

TURN's claim that its argument was not addressed sufficiently to satisfy Section 1705 is without merit, though the Commission may wish to add a sentence noting that TURN's and Wild Tree's arguments are based on an erroneous interpretation of the statute, which fails to parse the statutory language requiring comparison to an expressly-prescribed financing mechanism, and ignore the Commission's determination in A.20-04-023 that PG&E has \$7.5 billion of Stress Test Costs that may be recovered through securitization.⁹

II. INVERVENORS' PROPOSED MODIFICATIONS TO THE FINANCING ORDER SHOULD BE REJECTED

A. Return on PG&E Equity Contribution to SPE

EPUC asserts that PG&E should not be allowed to receive a return on its equity contribution to the SPE because the Securitization addresses disallowed costs.¹⁰ Although the premise of EPUC's position is incorrect (the equity contribution to the SPE is not ratepayer funded), the issue is moot because PG&E's Opening Comments proposed that PG&E will credit 100 percent of the authorized return, regardless of the balance in the Customer Credit Trust.¹¹

B. Form of Advice Letter in Attachment 5 to PD

TURN proposes to modify the form of advice letter included as Exhibit B to Attachment 5 to the PD, which would be submitted if PG&E were to determine that there would be a shortfall in the then-current year.¹² TURN requests that the advice letter also set forth (a) the impact on average customer bills, and (b) a detailed explanation of each and every reason for the insufficiency in the Customer Credit Trust.¹³ PG&E has no objection in principle to providing a statement as to the average customer bill impact, but notes that the timing of the advice letter may mean that the March 1 revenue requirement calculation would not yet be complete. If this change is made to Exhibit B, it should allow for an illustrative estimate of bill impacts.

TURN's suggestion to require a detailed explanation of each and every reason for any shortfall in the Customer Credit Trust should be rejected as vague and unnecessary. The

⁸ See, e.g., D.21-04-030 at 18, 26, 53-54, 63, 67.

⁹ See *id.* at 2, 20, and 84 (FOF 6 and 11).

¹⁰ EPUC Opening Comments at 5-6.

¹¹ PG&E Opening Comments at 7.

¹² TURN Opening Comments at 6-7.

¹³ *Id.*

Commission has retained existing regulatory authority, will receive quarterly reporting related to the Customer Credit Trust, and can request information on this subject if such an event occurs.

C. Wild Tree Request to Admit Testimony

Wild Tree asks for reversal of the ruling in the PD rejecting admission of Wild Tree's further testimony in this proceeding.¹⁴ Wild Tree does not, however, identify any non-duplicative portions that are material and appropriate for admission into evidence. A motion to strike was unnecessary as the testimony was not admitted under the Scoping Memo procedures.¹⁵

D. Opposition to Multiple SPEs or Series of Bonds

Wild Tree objects to the PD leaving open the possibility of issuing multiple series of bonds, with multiple SPEs, as supposedly imposing duplicative administrative costs.¹⁶ PG&E hopes to issue the Recovery Bonds in a single issuance, but multiple series may be preferable to achieve the best outcome for PG&E and its customers. The determination of whether a single issuance or multiple series is most cost-effective will of course include consideration of the associated incremental costs. The structure of the transaction will be reviewed and approved by the Commission's Finance Team as set forth in the PD. The PD appropriately maintains flexibility to ensure best execution of the transaction. Wild Tree's comment should be rejected.

E. Proposed Modification Regarding Successor Servicing Costs

Wild Tree seems to take issue with the PD provision that tasks "the Commission's Energy Division with determining the appropriate annual fees to be paid to the new servicer, and any such fee agreement with the new servicer must be approved by the Commission through a resolution."¹⁷ It is not clear what exactly Wild Tree proposes to modify because it did not submit the required redline attachment. In any event, the PD's deferral of the terms of any successor servicer agreement to later review by the Commission and its Energy Division, if and when such an unlikely need arises, is appropriate and sufficient.¹⁸

¹⁴ Wild Tree Opening Comments at 7-8.

¹⁵ The Scoping Memo in this proceeding established a procedure whereby the parties had an opportunity file proposed factual evidence they wanted admitted into evidence, "to the extent there are facts not already in the record of this proceeding or in the record of A.20-04-023..." Scoping Memo at 6. TURN's and Cal Advocates' proposed evidence was admitted, without objection.

¹⁶ Wild Tree Opening Comments at 8.

¹⁷ *Id.* at 9-10.

¹⁸ In addition, Wild Tree's concern that a potential State takeover of PG&E could lead to third-party servicing fees is misguided because the State entity would service the Recovery Bonds under the same agreement and terms as PG&E.

III. INTERVENORS' ATTEMPTS TO RE-LITIGATE A.20-04-023 THROUGH PROPOSED MODIFICATIONS TO THE PD SHOULD NOT BE ACCEPTED

Intervenors' attempts to re-litigate the following issues resolved by the Commission's decision in A.20-04-023, under the guise of comments on the PD, should not be accepted.

A. Guarantee

EPUC urges the Commission to revise the PD to provide that customers will not pay any potential shortfalls in the Customer Credit Trust, and to task the Finance Team with ensuring that outcome.¹⁹ A guarantee that the Customer Credit will equal the Fixed Recovery Charge was firmly and appropriately rejected in A.20-04-023.²⁰

B. Path to Investment-Grade Credit Rating

TURN asserts that Section 850.1(a)(1)(A)(i) is not satisfied because PG&E has not shown a path back to an investment-grade credit rating. TURN's position on this issue was thoroughly explored, and rejected, in A.20-04-023.²¹

C. Purported Conflict of Interest

TURN asserts that Sections 850.1(a)(1)(A)(ii)(I) and (II) are not satisfied because the Securitization creates a "conflict of interest" for the Commission.²² This same argument was made by TURN, and implicitly not credited, in A.20-04-023.²³ In any event, there is no such conflict.²⁴ In making its decisions, the Commission routinely has to weigh the affordability of customers' rates alongside factors such as safety, policy goals, fostering the financial health of investor-owned utilities (to the long-term benefit of ratepayers and the public generally) and allowing for a rate of return that will not increase the cost of equity (again with long-term benefits to ratepayers). A regulator's weighing of different factors is not a "conflict of interest." Because TURN complains that the PD violates Section 1705 by not expressly addressing this

¹⁹ EPUC Opening Comments at 2-4. TURN and Wild Tree implicitly make similar requests to the extent their comments incorporate by reference their prior briefing in this proceeding and in A.20-04-023.

²⁰ See D.21-04-030 at 25 ("We recognize the value in not requiring contractual commitments from PG&E, where practical, while meeting other requirements of this decision, and reject the proposals for PG&E to provide a dollar-for-dollar rate credit and / or contractual guarantee of the Customer Credit Trust").

²¹ See, e.g., *id.* at 23-24, 36, and 84 (FOF 7).

²² TURN Opening Comments at 5.

²³ See A.20-04-023, TURN Opening Brief, filed January 15, 2021, at 111, and TURN Reply Brief, filed February 1, 2021, at 77. See also CalAdvocates-01 at 15.

²⁴ Contrary to TURN's assertion, the flawed nature of this "conflict" argument was addressed in PG&E's rebuttal testimony in A.20-04-023. See PGE-14 at 5-20.

