STATE OF CALIFORNIA GAV[illegible], *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
08/31/21
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August 31, 2021 **Agenda ID #19823**
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 21-06-005:

This is the proposed decision of Administrative Law Judge Regina DeAngelis. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 7, 2021 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:lil

Attachment

Decision **PROPOSED DECISION OF ALJ DEANGELIS** (Mailed 8/31/2021)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for Contingent Authority to Refinance and/or Extend the Maturity of $1.5 Billion in Long-Term Debt. (U39M)	Application 21-06-005

DECISION GRANTING PACIFIC GAS AND ELECTRIC COMPANY CONTINGENT AUTHORITY TO REFINANCE AND/OR EXTEND THE MATURITY DATE ON $1.5 BILLION IN TEMPORARY LONG-TERM DEBT

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DECISION GRANTING PACIFIC GAS AND ELECTRIC COMPANY CONTINGENT AUTHORITY TO REFINANCE AND/OR EXTEND THE MATURITY DATE ON $1.5 BILLION IN TEMPORARY LONG-TERM DEBT

Summary

This decision grants Pacific Gas and Electric Company (PG&E) contingent authority to manage temporary utility debt in the amount of $1.5 billion that matures on January 1, 2022. PG&E currently intends to retire this $1.5 billion in debt with proceeds from the issuance of $7.5 billion of recovery bonds previously authorized by the Commission in Decision (D.) 21-05-015. However, due to possible future appeals of D.21-08-022 (which denied applications for rehearing of D.21-05-015) and possible appeals of related decisions, it is unclear whether proceeds from the $7.5 billion of recovery bonds will be available to PG&E on or before January 1, 2022, the date the $1.5 billion debt matures. As a result, the Commission grants additional authority to PG&E to manage the $1.5 billion debt, if and to the extent necessary, pending retirement of this debt via proceeds from the recovery bonds by extending the maturity date of the $1.5 billion debt, refinancing the $1.5 billion debt, or managing the debt by a combination of these methods. Should the proceeds from the $7.5 billion of the recovery bonds become available to PG&E on a timely basis, PG&E will not exercise the authority granted herein. Therefore, the authority granted is referred to as "contingent" authority. This proceeding is closed.

1. Background

On June 2, 2021, Pacific Gas and Electric Company (PG&E) filed this Application for contingent authority to manage $1.5 billion in temporary utility debt (referred to herein as $1.5 Billion Temporary Utility Debt).[1] The

[1] This Application and all related documents filed in this proceeding are available on the Commission's website at the *Docket Card*.

Commission noticed this Application in the Commission's Daily Calendar on June 11, 2021. Pursuant to the Commission's Rules of Practice and Procedure, responses and protests were due on or before July 12, 2021. No responses or protests were filed in this proceeding.

A prehearing conference (PHC) was held on August 9, 2021, to discuss the issues of law and fact and determine the need for hearings and the schedule for resolving the matter. PG&E and the Public Advocates Office at the California Public Utilities Commission participated at this PHC. On August 20, 2021, the assigned Commissioner issued an *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo), in which the Commission's preliminary finding in Resolution ALJ-3488 for a need for hearings in this proceeding was changed to no hearings necessary.

The authority sought by PG&E in this proceeding is related to several other recent proceedings concerning PG&E's *Plan of Reorganization* and emergence from bankruptcy. On January 29, 2019, PG&E and its holding company, PG&E Corporation, filed voluntary bankruptcy petitions under Chapter 11 of the U.S. Bankruptcy Code. On July 1, 2020, PG&E formally exited from bankruptcy.

On September 26, 2019, the Commission initiated an Order Instituting Investigation, Investigation (I.) 19-09-016,[2] to review PG&E's proposed *Plan of Reorganization* under Chapter 11.

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[2] I.19-09-016, *Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19-30088* (September 26, 2019).

On May 28, 2020, by Decision (D.) 20-05-053 in I.19-09-016, the Commission granted PG&E authorization, among other things, to issue $6 billion in temporary utility debt upon its emergence from bankruptcy to fund wildfire claims costs under its *Plan of Reorganization*.[3] In D.20-05-053, the Commission also authorized PG&E to issue this $6 billion in temporary utility debt as either short-term debt or long-term debt. Pursuant to this authority, PG&E subsequently issued $6 billion in temporary utility debt, with (1) $1.5 billion in short-term debt and (2) $4.5 billion in long-term debt.[4] The $4.5 billion in long-term debt includes the $1.5 Billion Temporary Utility Debt at issue in this proceeding. The $1.5 Billion Temporary Utility Debt is an 18-month term loan facility with a maturity date of January 1, 2022.[5]

One month prior to the Commission's issuance of D.20-05-053 in I.19-09-016, PG&E filed a related Application, Application (A.) 20-04-023 on April 30, 2020, seeking a determination by the Commission that $7.5 billion of PG&E's 2017 catastrophic wildfire costs and expenses are Stress Test Costs under

[3] D.20-05-053, *Decision Approving Reorganization Plan* (May 28, 2020) at 65-66.

[4] D.20-12-025*, Decision Approving the Application of Pacific Gas and Electric Company for Debt and Preferred Stock Authorization* (December 17, 2020) at 13-14, stating PG&E seeks $6 billion in temporary utility debt to pay wildfire claims costs, citing to Application (A.) 20-05-005, *Application of Pacific Gas and Electric Company to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $8.1billion, or $12.6 billion if and to the extent the requested $7.5 billion securitization in A.20-04-023 is not approved; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver one or more series of preferred stock or depositary shares; to utilize various debt enhancement features; and to enter into interest rate hedges (U39M)* at 4.

[5] A.21-06-005 at 2 (fn. 4.), which provides additional specifics regarding the $1.5 Billion Temporary Utility Debt loan facility and also refers to a separate document, Exhibit 10.5 of PG&E's Form 8-K filed with the Securities and Exchange Commission on July 2, 2020.

Public Utilities (Pub. Util.) Code § 451.2(b)[6] that may be financed through issuance of recovery bonds pursuant to Pub. Util. Code § 451.2(c) and §§ 850 *et seq.*[7] In A.20-04-023, PG&E stated its intention to use the proceeds from issuance of the recovery bonds to retire the $6 billion in temporary utility debt, including the $1.5 Billion Temporary Utility Debt.

On May 11, 2020, PG&E filed another related Application, A.20-05-005, seeking Commission authorization to issue long-term debt.[8] In that application, PG&E requested, among other things, contingent authorization from the Commission to refinance the $4.5 billion in long-term temporary utility debt, including the $1.5 Billion Temporary Utility Debt, "if and to the extent the requested $7.5 billion securitization in A.20-04-023 is not approved."[9] On December 17, 2020, in D.20-12-025, the Commission granted PG&E's request in

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[6] Stress Test Costs are costs resulting from a 2017 catastrophic wildfire that may be recovered from ratepayers. Those costs are limited to only those costs that the utility cannot pay "without harming ratepayers or materially impacting its ability to provide adequate and safe service." (Pub. Util. Code § 451.2(b).) *Also see*, D.19-06-027 (Stress Test Methodology), Appendix A at 3; and D.21-04-030 (finding $7.5 billion in Stress Test Costs).

[7] Recovery Bonds are "bonds, notes, certificates of participation of beneficial interest, or other evidences of indebtedness or ownership…the proceeds of which are used directly or indirectly, to recover, finance, or refinance recovery costs…" (Pub. Util. Code § 850(b)(9).) Recovery Costs are "catastrophic wildfire amounts or costs…authorized by the commission in a financing order for recovery." (Pub. Util. Code § 850(b)(10).) Recovery Costs (catastrophic wildfire costs) are Stress Test Costs.

[8] A.20-05-005, *Application of Pacific Gas And Electric Company to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $8.1 billion, or $12.6 billion if and to the extent the requested $7.5 billion securitization in A.20-04-023 is not approved; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver one or more series of preferred stock or depositary shares; to utilize various debt enhancement features; and to enter into interest rate hedges. (U39M)* (Filed on May 11, 2020).

[9] A.20-05-005 at 4.

A.20-05-005 for contingent authorization to refinance the $4.5 billion in long-term temporary utility debt.[10]

On January 6, 2021, PG&E filed another related application, A.21-01-004, seeking Commission authorization to issue recovery bonds.[11]

On April 23, 2021, the Commission issued D.21-04-030 in A.20-04-023 and found that $7.5 billion of PG&E's 2017 catastrophic wildfire costs and expenses are Stress Test Costs that may be financed through the issuance of the Recovery Bonds pursuant to Pub. Util. Code §§ 850 *et. seq.*

On May 11, 2021, the Commission issued D.21-05-015, which authorized PG&E to issue the $7.5 billion in Recovery Bonds referred to in D.21-04-030.

On May 3, 2021, three parties, The Utility Reform Network (TURN), City and County of San Francisco, and Wild Tree Foundation (Wild Tree) filed Applications for Rehearing of D.21-04-030 (in which the Commission found $7.5 billion to be Stress Test Costs). On May 14, 2021, PG&E filed a response in opposition to these Applications for Rehearing. On May 17, 2021, and May 18, 2021, four parties filed responses in support of these Applications for Rehearing, including Alliance for Nuclear Responsibility (ANR), Agricultural Energy Consumers Association, and jointly by The California Large Energy Consumers Association (CLECA) and the Energy Producers and Users Coalition (EPUC).

On May 21, 2021, TURN and Wild Tree filed Applications for Rehearing of D.21-05-015 (in which the Commission authorized Recovery Bonds). On

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10 D.20-12-025, Ordering Paragraph 1 at 53.

11 A.21-01-004, *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. (U39E)* (Filed January 6, 2021).

June 4, 2021, PG&E filed a response in opposition to the Applications for Rehearing. On June 7, 2021, a response in support of the Applications for Rehearing was filed by ANR, and a joint response in support of the Applications for Rehearing was filed by CLECA and EPUC.

On August 11, 2021, the Commission adopted D.21-08-022 denying the Applications for Rehearing of D.21-05-015. On August 11, 2021, the Commission also adopted D.21-08-023 denying the Applications for Rehearing of D.21-04-030.

As described above, the Commission authorized PG&E's issuance of the Recovery Bonds to execute the $7.5 billion securitization transaction approved in D.21-04-030 and D.21-05-015. PG&E has informed the Commission that it intends to retire the $1.5 Billion Temporary Utility Debt, together with the remainder of the $6 billion in temporary utility debt, with proceeds from the Recovery Bonds. However, PG&E states in this Application that it does not anticipate issuing the Recovery Bonds until the Commission's decisions authorizing those transactions are final and non-appealable.

Due to the possibility that parties may seek judicial review of the Commission's decisions resolving those Applications for Rehearing, PG&E is not certain it will be able to issue the Recovery Bonds sufficiently in advance of the January 1, 2022, maturity date to retire the $1.5 Billion Temporary Utility Debt on or before that date.

Accordingly, PG&E seeks authorization in this proceeding to manage the $1.5 Billion Temporary Utility Debt as necessary and appropriate by extending the maturity date of the debt, refinancing the debt, or managing the debt by a combination of these methods. In particular, PG&E seeks authority in this proceeding to refinance the $1.5 Billion Temporary Utility Debt by issuing short-term debt and/or long-term debt[12] with the same types of debt instruments and the same conditions authorized by the Commission in D.20-05-053, including the authority to issue debt secured by utility property.[13] Further, PG&E seeks authority to engage in one or more transactions to manage the $1.5 Billion Temporary Utility Debt.[14] PG&E requests this flexibility so that it can manage the $1.5 Billion Temporary Utility Debt in the most efficient and cost-effective way based on market conditions and circumstances related to the time of issuing the Recovery Bonds as they unfold. According to PG&E, this flexibility would obviate the need to file further applications seeking Commission authority for financing authority related to the $1.5 Billion Temporary Utility Debt pending the retirement of this debt with proceeds from issuance of the Recovery Bonds. PG&E also asks the Commission to find, pursuant to Pub. Util. Code § 818, that the money, property, or labor to be procured or paid by any long-term debt issuances authorized herein is reasonably required for the purposes specified herein and, except as otherwise permitted herein in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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[12] PG&E states it would likely either extend the maturity of and/or refinance the $1.5 Billion Temporary Utility Debt with short-term debt but requests flexibility to refinance with long-term debt if that is the most cost-effective option based on circumstances at the time. PG&E also states it anticipates that any long-term debt issued pursuant to the authority sought in this proceeding would have call features that would enable PG&E to retire the $1.5 billion Temporary Utility Debt expeditiously following issuance of the Recovery Bonds.

[13] In support of its request, PG&E cites to D.20-05-053 at 65-66 (authorizing PG&E to issue debt in the form requested) and PG&E's March 13, 2020 *Post-Hearing Brief* and *Comments on Assigned Commissioner's Proposals* at 179-180 filed in I.19-09-016 (describing the types of debt PG&E would issue pursuant to the requested authority.)

[14] A.21-06-005 at 6 (fn. 23) wherein PG&E states, for example, that it could extend and/or refinance the $1.5 Billion Temporary Utility Debt one or more times.

PG&E states that, if PG&E exercises the contingent authority sought in this Application, it will submit quarterly reports to Commission staff to keep the Commission apprised as to how the company has exercised this authority to manage the $1.5 Billion Temporary Utility Debt pending retirement of this debt following issuance of the Recovery Bonds.

Once D.21-04-030 and D.21-05-015 are final and non-appealable, PG&E states that it will move expeditiously to issue the Recovery Bonds, consistent with those decisions and the overall goals of the transaction. PG&E further states it will use the proceeds to retire the $1.5 Billion Temporary Utility Debt, including any refinancing or extension thereof as may be authorized in this proceeding. In the event that D.21-04-030 and D.21-05-015 become final and non-appealable at a point in 2021 such that PG&E can issue the Recovery Bonds and retire the $1.5 Billion Temporary Utility Debt on or before its January 1, 2022, maturity date, PG&E states it will not exercise the authority sought in this proceeding.

2. Issues to be Determined

The August 20, 2020, Scoping Memo identified the following issues to be determined in this proceeding:

1. Does the Application, and the requested relief therein, comply with the Public Utilities Code and all applicable Commission Rules, General Orders, and Decisions?
2. Is the Application complete (compliant with former decisions and the Public Utilities Code), with all information provided to render a decision?
3. Is the requested relief reasonable and in the public interest?
4. Should PG&E be granted contingent authority to manage $1.5 Billion Temporary Utility Debt if and to the extent necessary pending retirement of this debt via proceeds from Recovery Bonds?

5. Should the contingent authority, if granted, authorize PG&E to extend the maturity of the $1.5 Billion Temporary Utility Debt, refinance the $1.5 Billion Temporary Utility Debt, or do a combination thereof?
6. What other terms and conditions, if any, should apply to the granted contingent authorization?

3. Discussion

The Commission has broad authority pursuant to Pub. Util. Code § 816 through § 830, § 851, and § 701 to determine if a utility should be authorized to issue debt, and may attach conditions to the issuance and management of that debt to protect and promote the public interest. Additionally, Pub. Util. Code § 451.2(c) and §§ 850 *et. seq* establish conditions regarding catastrophic wildfire costs and ratepayer protection financing. The Commission authorized PG&E to issue the long-term debt at issue in this proceeding, the $1.5 Billion Temporary Utility Debt, pursuant to and consistent with Pub. Util. Code §§ 816-830, § 851, and § 701 and several Commission decisions, including D.20-05-053, D.20-12-025, D.21-04-030, and D.21-05-015.

Furthermore, PG&E's request in this proceeding is made consistent with Pub. Util. Code § 451.2(c) and §§ 850 *et. seq,* as addressed in D.21-04-030 and D.21-05-015. The proceeds from any debt issued pursuant to this decision will be used for the retirement, refunding, or reissuance of securities previously issued and no authority is sought or granted to issue incremental debt beyond the $1.5 Billion Temporary Utility Debt.

As requested by PG&E, the Commission finds that the money, property, or labor to be procured or paid by any long-term debt issuances authorized herein is, in the Commission's opinion pursuant to Pub. Util. Code § 818, reasonably required for the purposes specified herein and, except as otherwise permitted herein in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Nothing in PG&E's request nor in this decision changes any existing compliance directives and all authority shall be consistent with the Pub. Util. Code and the Commission's Rules, general orders, and decisions.

There is no opposition to the authority PG&E's requests in this proceeding. As set forth below, we find that the requested relief complies with the Pub. Util. Code and applicable Commission Rules, General Orders, and decisions.

Therefore, the Commission finds PG&E's request reasonable and the relief requested by PG&E is granted.

The Commission grants the requested authority to manage the debt for the following reasons. The $1.5 Billion Temporary Utility Debt matures in the next few months, on January 1, 2022. While PG&E expects to retire the $1.5 Billion Temporary Utility Debt with proceeds from the issuance of $7.5 billion in Recovery Bonds, which the Commission authorized in D.21-04-030 and D.21-05-015, it is uncertain PG&E will be able to issue the Recovery Bonds sufficiently in advance of the January 1, 2022, maturity date to efficiently retire the $1.5 Billion Temporary Utility Debt on or before that date. This uncertainty arises due to the possibility that parties may seek judicial review of D.21-08-022 and D.21-08-023, wherein the Commission denied the Applications for Rehearing of D.21-04-030 and D.21-05-015. As a result, we find that other means should be established to manage the $1.5 Billion Temporary Utility Debt.

As explained herein, we grant PG&E's request for contingent authority to manage the $1.5 Billion Temporary Utility Debt by extending the maturity of the $1.5 Billion Temporary Utility Debt, refinancing this debt, or a combination thereof. Furthermore, we grant PG&E's request for authority to refinance the $1.5 Billion Temporary Utility Debt by issuing short-term debt and/or long-term debt[15] using the same types of debt instruments and on the same conditions authorized by the Commission in D.20-05-053, including the authority to issue debt secured by utility property.[16] Further, we grant PG&E's request for authority to engage in one or more transactions to manage the $1.5 Billion Temporary Utility Debt.[17] This flexibility will allow PG&E to manage the $1.5 Billion Temporary Utility Debt in the most efficient and cost-effective way based on then current market conditions and circumstances. This flexibility will also eliminate the need for PG&E to file further applications for financing authority related to the $1.5 Billion Temporary Utility Debt pending retirement of this debt with proceeds from the Recovery Bonds. PG&E will not exercise this contingent authority in the event D.21-04-030 and D.21-05-015 become final and

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[15] In this Application, PG&E states it would likely either extend the maturity of and/or refinance the $1.5 Billion Temporary Utility Debt with short-term debt. We also grant PG&E's request for the added flexibility to refinance with long-term debt if that is the most cost-effective option based on the circumstances at the time. Consistent with the PG&E's Application, we authorize the use of long-term debt issued pursuant to the authority granted herein to have call features that would enable PG&E to retire the $1.5 Billion Temporary Utility Debt expeditiously following issuance of the Recovery Bonds. Moreover, we find the call features should be included when this provides for the most reasonable and cost-effective financing (which will be judged in any proceeding in which PG&E seeks recovery of these financing costs, as described in greater detail at Section "Financial Information" herein).

[16] In D.20-05-053, the Commission did not specifically address debt secured by utility property. However, in D.20-12-025, which is a related decision, the Commission granted PG&E authority to issue up to $12.6 billion in debt (inclusive of the $1.5 Billion Temporary Utility Debt) and the authority granted to PG&E in D.20-12-025 includes authority to "sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property…." (D.20-12-025, Ordering Paragraph 2 at 54.)

[17] PG&E states, for example, that it could extend and/or refinance the $1.5 Billion Temporary Utility Debt one or more times. (A.21-06-005 at 6, fn. 23.)

non-appealable at a time in 2021 such that PG&E can issue the Recovery Bonds and retire the $1.5 Billion Temporary Utility Debt.

Finally, for the following reasons the Commission agrees with PG&E that the relief sought here is reasonable and appropriate. In D.20-12-025, the Commission granted PG&E authorization to refinance $4.5 billion in long-term temporary utility debt (including the $1.5 Billion Temporary Utility Debt) but only "if and to the extent the requested $7.5 billion securitization in A.20-04-023 is not approved."[18] PG&E states in this proceeding that it cannot rely on the contingent authorization granted in D.20-12-025 to refinance the $4.5 billion in long-term temporary utility debt (including the $1.5 Billion Temporary Utility Debt) because the Commission has approved the $7.5 billion securitization transaction in D.21-04-030 in A.20-04-023.

We agree and find that PG&E's reliance on the authority granted by the Commission in D.20-12-025 and D.21-04-030 could result in uncertainties regarding the authorized transactions regarding the $7.5 billion securitization because the Commission's recent decisions denying the Applications for Rehearing of D.20-12-025 and D.21-04-030 (D.21-08-022 and D.21-08-023) continue to be subject to appeal. More specifically, the appeal process creates uncertainty because the possibility continues to exist that a court may overturn the Commission's authorization. Moreover, when this type of uncertainty exists, the financial markets may offer PG&E less attractive terms and outcomes that are less advantageous to the ratepayers, such as increased cost of borrowing. As a result, this uncertainty could result in a potential increase to customer rates too.

[18] D.20-05-025 at 53 (Ordering Paragraph 1). Ordering Paragraph 1 authorizes an increase of $4.5 billion (from $8.1 billion to $12.6 billion) but only "if and to the extent the requested $7.5 billion securitization in A.20-04-023 is not approved."

The financial community would be more likely to favorably view efforts by PG&E to move forward with a refinancing when the Commission's recent decisions denying the Applications for Rehearing (*i.e.,* D.21-08-022 and D.21-08-023) are no longer subject to judicial review and are final.

Therefore, we are persuaded that the most reasonable approach is to grant PG&E the necessary authority to manage the $1.5 Billion Temporary Utility Debt by granting PG&E's request. We further find that the Application is complete and that the requested relief complies with the Pub. Util. Code, and all applicable Commission Rules, General Orders and Decisions. We grant the requested relief as being reasonable and in the public interest.

4. Reporting Requirements

The Commission's General Order (GO) 24-C requires utilities to submit semi-annual reports to the Commission. These reports must contain, among other things, the following information: (1) the amount of debt issued by the utility during the applicable period; (2) the total amount of debt outstanding at the end of the applicable period; and (3) the purposes for which the utility expended the proceeds realized from the issuance of debt during the applicable period. PG&E says it will continue to provide these reports.

As required by GO 24-C, PG&E must continue to provide these periodic reports to Commission staff. As described above, if PG&E exercises the contingent authority sought in this Application, PG&E must also provide quarterly reports to Commission staff to keep the Commission apprised as to how the company had exercised this authority to manage the $1.5 Billion Temporary Utility Debt pending retirement of this debt following issuance of the Recovery Bonds. PG&E shall submit these quarterly reports in the form of a letter to the Commission's Energy Division Director, unless required otherwise by the Director.

5. Use of Proceeds

As requested by applicant, and authorized herein, PG&E must use the proceeds from any debt issued pursuant to this order for the retirement, refunding or reissuance of securities previously issued.

6. Fees

Pub. Util. Code § 1904(b) sets forth the fees required when the Commission authorizes PG&E to issue debt. Section 1904(b) provides as follows:

> No fee need be paid on such portion of any such issue as may be used to guarantee, take over, refund, discharge, or retire any stock, bond, note, or other evidence of indebtedness on which a fee has theretofore been paid to the commission.

No fees are due in this proceeding because PG&E will use the funds from debt issued pursuant to this decision for the retirement or refunding of securities previously issued and on which PG&E has previously paid fees.

7. Financial Information

PG&E is placed on notice that the reasonableness of any resulting interest rate and cost of money arising from the issuance of debt securities as well as capital structures, are normally subject to review in the appropriate cost of capital or general rate case proceeding. Therefore, there is no finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes or the appropriate cost of money. In addition, there is no finding in this decision on the reasonableness of any PG&E construction program. Construction expenditures and the resulting plant balances in rate base are issues that are typically addressed in a general rate case or other specific application proceeding. The authority to issue debt securities is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

8. California Environmental Quality Act

The California Environmental Quality Act (CEQA)[19] applies to projects that require discretionary approval from a governmental agency, unless exempted by statute or regulation. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public Resources Code, the "establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies" is exempt from CEQA.[20] Likewise, the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment are not a "project" subject to CEQA.[21]

This decision does not authorize any capital expenditures or construction projects. Construction projects which PG&E may finance pursuant to the authority granted by the Commission must undergo CEQA review as required by CEQA and CEQA Guidelines.

9. Conclusion

PG&E is granted authority to manage the $1.5 Billion Temporary Utility Debt issued as long-term debt that matures on January 1, 2022, if and to the extent necessary pending retirement of this debt following issuance of the Recovery Bonds by extending the maturity of the $1.5 Billion Temporary Utility

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[19] Public Resources Code §§ 21000, *et seq*.

[20] Public Resources Code § 21080(b)(8).

[21] CEQA Guidelines, California Code of Regulations, Title 14, Division 6, Chapter 3, §§ 15000-15387.

Debt, refinancing the $1.5 Billion Temporary Utility Debt, or a combination thereof, consistent with this decision.

10. Comments on Proposed Decision

The proposed decision of ALJ Regina DeAngelis in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

11. Assignment of Proceeding

Marybel Batjer is the assigned Commissioner and Regina DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Pursuant to authority granted in D.20-05-053, PG&E issued $1.5 Billion in Temporary Utility Debt with a maturity date of January 1, 2022.
2. In A.20-04-023, PG&E sought a Commission determination that $7.5 billion of PG&E's 2017 catastrophic wildfire costs and expenses were Stress Test Costs (pursuant to Pub. Util. Code § 451.2(b)) that could be financed through Recovery Bonds (pursuant to Pub. Util. Code § 451.2(c) and §§ 850 *et seq.*), and PG&E stated its intention to use the proceeds from the Recovery Bonds to retire the $1.5 Billion Temporary Utility Debt.
3. In A.20-05-005, PG&E sought contingent authority to refinance the $1.5 Billion Temporary Utility Debt if and to the extent the requested $7.5 billion securitization in A.20-04-023 was not approved.
4. D.21-04-030 found that $7.5 billion of PG&E's 2017 catastrophic wildfire costs and expenses are Stress Test Costs that may be financed via Recovery Bonds, and D.21-05-015 authorized PG&E to issue $7.5 billion in Recovery Bonds.

5. Applications for rehearing of D.21-04-030 and D.21-05-015 were denied by D.21-08-023 and D.21-08-022, respectively, but appeals seeking judicial review are possible.

6. PG&E does not anticipate issuing the Recovery Bonds until the Commission's decisions authorizing the transactions are final and non-appealable.

7. The potential for, and timing of, judicial review regarding the Commission's decisions denying the Applications for Rehearing make it uncertain whether PG&E can issue the Recovery Bonds sufficiently in advance of the January 1, 2022, maturity date to retire the $1.5 Billion Temporary Utility Debt on or before that date and, therefore, require other means to efficiently manage the $1.5 Billion Temporary Utility Debt.

8. PG&E must have some flexibility to manage the $1.5 Billion Temporary Utility Debt in order to be able to do so in the most efficient and cost-effective way based on market conditions and circumstances as events unfold, and to avoid the need to file further applications with the Commission for additional financing authority regarding the $1.5 Billion Temporary Utility Debt.

9. PG&E states that it will not exercise the authority sought in this application in the event D.21-04-030 and D.21-05-015 become final and non-appealable such that PG&E can issue the Recovery Bonds and retire the $1.5 Billion Temporary Utility Debt on or before January 1, 2022.

10. No authority is sought in this application to issue incremental debt beyond the $1.5 Billion Temporary Utility Debt.

11. There is no opposition to the authority PG&E requests in this proceeding, and there are no disputed issues of material fact.

12. PG&E is unable to rely on the prior authority to manage the $1.5 Billion Temporary Utility Debt granted in D.20-12-025 (as part of refinancing $4.5 billion in debt) because the Commission's grant of authority in D.20-12-025 only applied if the $7.5 billion securitization sought in PG&E's A.20-04-023 was not approved and the Commission has since approved A.20-04-023 in D.21-04-030.

13. PG&E says it will provide quarterly reports to Commission staff by letter to the Energy Division Director on how the company is exercising it authority to manage the $1.5 Billion Temporary Utility Debt.

14. Fees paid to the Commission relative to a utility issuing debt have already been paid by PG&E regarding the $1.5 Billion Temporary Utility Debt that is to be refinanced, and no additional fees are due.

15. The application is complete.

16. The relief sought in this application is exempt from CEQA review.

17. The money, property, or labor to be procured or paid for by any long-term debt issuances authorized herein is, in the opinion of the Commission as required by Pub. Util. Code § 818, reasonably required for the purposes specified herein and, except as otherwise permitted herein in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Conclusions of Law

1. The Commission has broad authority pursuant to Pub. Util. Code § 816 through § 830, § 851, and § 701 to determine if a utility should be authorized to issue debt, and may attach conditions to the issuance and management of that debt to protect and promote the public interest. Pub. Util. Code § 451.2(c) and §§ 850 *et seq.* establish conditions regarding catastrophic wildfire costs and ratepayer protection financing.

2. The requested relief complies with the Pub. Util. Code and applicable Commission Rules, General Orders, and decisions.

3. No evidentiary hearing is needed.

4. PG&E's request for contingent authority to manage the $1.5 Billion Temporary Utility Debt that matures on January 1, 2022, is reasonable and should be granted.

5. The granted authority should be contingent upon PG&E first using the proceeds from the $7.5 billion in Recovery Bonds to refinance the $1.5 Billion Temporary Utility Debt if those proceeds become available at a point in 2021 such that PG&E can retire the $1.5 Billion Temporary Utility Debt on or before January 1, 2022.

6. If proceeds from Recovery Bonds do not become available at a point in 2021 such that PG&E can retire the $1.5 Billion Temporary Utility Debt on or before January 1, 2022, then PG&E should be granted authority to (a) refinance the $1.5 Billion Temporary Utility Debt by extending the maturity of that debt, refinancing that debt, or managing the debt by a combination thereof, (b) manage the $1.5 Billion Temporary Utility Debt by issuing short-term debt and/or long-term debt with the same types of instruments and the same conditions authorized in D.20-05-053, including the authority to issue debt secured by utility property, and (c) engage in one or more transactions to manage this debt. Any long-term debt issued to refinance the $1.5 Billion Temporary Utility Debt should have call features that enable PG&E to retire the $1.5 Billion Temporary Utility Debt expeditiously following issuance of the Recovery Bonds. The proceeds from any debt issued pursuant to this order should be used for the retirement, refunding, or reissuance of securities previously issued relative to the $1.5 Billion

Temporary Utility Debt, and no authority should be granted to issue incremental debt for other purposes.

7. PG&E should submit reports required by GO 24-C and, in addition, should provide quarterly reports to Commission staff by letter to the Energy Division Director (unless required otherwise by the Director) regarding how PG&E has exercised this authority to manage the $1.5 Billion Temporary Utility Debt.

8. This order should be effective today to allow PG&E to expeditiously, efficiently, and cost-effectively engage in the necessary financial transactions before January 1, 2022.

9. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized under Public Utilities (Pub. Util.) Code § 816 through § 830, § 851, and § 701 to manage the $1.5 billion of temporary utility debt issued as long-term debt that matures on January 1, 2022, if and to the extent necessary pending retirement of this debt following issuance of the Recovery Bonds authorized in Decision (D.) 21-05-015, by extending the maturity of the $1.5 billion in temporary utility debt, refinancing the $1.5 billion in temporary utility debt, or a combination thereof. PG&E is authorized to do so by issuing short-term debt and/or long-term debt (collectively Debt Securities) using the same types of instruments and on the same conditions as authorized by the Commission in D.20-05-053 including:

   (a) Arranging one or more credit agreements or other credit facilities as necessary for the purpose of issuing the Debt Securities, and to modify such credit facilities within the terms provided herein without further order from the Commission.

(b) Executing and delivering an indenture or supplemental indenture in connection with the Debt Securities, and to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property in connection with the issuance and sale of the secured Debt Securities; provided that any such encumbrance of utility property, to the extent it is undertaken as a credit enhancement for the primary obligation, shall not be counted against the $1.5 billion authorized herein.

(c) Issuing, selling, and delivering the Debt Securities by public offering or private placement.

(d) Pledging or otherwise disposing of or encumbering utility property in order to secure the Debt Securities by (i) a mortgage on PG&E's property, including by issuing collateral mortgage bonds or first mortgage bonds, (ii) a pledge or sale of PG&E's accounts receivable and/or (iii) a lien on PG&E's property or other credit enhancement arrangement.

(e) Refunding short-term debt with any debt issued pursuant to the authorization herein.

2. Pacific Gas and Electric Company (PG&E) shall report to the Commission all the information required by General Order 24-C for any debt securities issued pursuant to this decision and shall report this information on a semiannual basis. PG&E shall provide quarterly reports by letter to the Commission's Energy Division Director (unless directed otherwise by the Director) identifying how PG&E exercised the authority to manage the $1.5 billion temporary utility debt pending retirement of this debt following issuance of the Recovery Bonds authorized in Decision 21-05-015.

3. Pacific Gas and Electric Company (PG&E) shall not be authorized to manage the $1.5 billion in temporary utility debt, as otherwise authorized above, if Decision (D.) 21-04-030 and D.21-05-015 become final and non-appealable at a

time in 2021 such that PG&E can reasonably issue the Recovery Bonds authorized in D.21-05-015 and retire the $1.5 billion in temporary utility debt on or before its January 1, 2022 maturity date.

4. Pacific Gas and Electric Company (PG&E) shall expeditiously issue the Recovery Bonds authorized in Decision (D.) 21-04-030 and D.21-05-015 if and when those decisions are final and non-appealable and shall use the proceeds to retire the $1.5 billion in Temporary Utility Debt referred to herein, including any refinancing or extension thereof authorized by this decision.

5. Application 21-06-005 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.