Application: 24-06-013
(U 39 E)
Exhibit No.: PGE-03
Date: November 6, 2024
Witness(es): Various

PACIFIC GAS AND ELECTRIC COMPANY

WILDFIRE RATE RELIEF BOND

REBUTTAL TESTIMONY

PACIFIC GAS AND ELECTRIC COMPANY
WILDFIRE RATE RELIEF BOND
REBUTTAL TESTIMONY

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A. Introduction

Pacific Gas and Electric Company's (PG&E) Application and supporting testimony demonstrate that the Wildfire Rate Relief Bonds are in the public interest and should be approved. The bonds deliver over $100 million in positive net present value (NPV) benefits for customers through significant and immediate rate relief. The proposed transaction distributes the vegetation management (VM) expenses over the life of the bonds and aligns with the duration of the wildfire mitigation benefits associated with those costs, all in a manner that does not compromise safety or other state policy goals.

In opposing PG&E's proposal, The Utility Reform Network's (TURN) testimony raises four main arguments. First, TURN argues that there is a "conceptual mismatch" between the operational benefit of the underlying VM expenses—which TURN says is 1-3 years—and the 10-year tenor of the bonds.[1] But TURN's criticism focuses on tree trimming only and entirely ignores tree removals, which are the VM expenses that most significantly and obviously yield mitigation benefits of permanent or extended duration, as explained in Chapter 4 of PG&E's opening testimony and this rebuttal testimony.

Second, TURN seeks to downplay the obvious customer benefits of PG&E's proposal, pointing to the nominal costs of the bond financing and the rate "increase" that occurs once the credit has been fully paid to customers and no longer reduces rates. Yet, as explained below and in more detail in Chapter 4 of this rebuttal testimony, TURN's analysis is incorrect and misleading and does not fully capture the public interest benefits of this transaction.

Third, TURN takes issue with how PG&E has proposed to implement the rate credit for customers and suggests this transaction is somehow about a purported benefit to PG&E or is a double recovery of VM expenses. Contrary to TURN's unsupported assertions, the Wildfire Rate Relief Bonds are a financially neutral proposal solely aimed at providing a benefit to customers, and not to

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[1] TURN Testimony at p. 5.

PG&E or its shareholders. Moreover, previously collected VM expenses will be reimbursed to customers and thus TURN's claim of double recovery is baseless. PG&E has no direct interest in how the credit is provided to customers, apart from ensuring that it is administratively feasible for PG&E and avoids unnecessary rate volatility. The transaction is financially neutral and does not benefit PG&E.

Finally, TURN compares the proposed Wildfire Rate Relief Bonds to hypothetical extended amortization scenarios. Yet none of these is feasible for the costs at issue. PG&E's proposal is a unique opportunity to provide immediate customer bill relief in a manner that is financial neutral to PG&E. The proceeds from the Wildfire Rate Relief Bonds would fund the credit to customers without any negative impact on PG&E's ability to make necessary safety and reliability investments in its system. By contrast, the amortization scenarios TURN presents would not deliver similar customer affordability benefits and one would even impose a NPV ***cost*** on customers. Moreover, because the amortization scenarios are unfunded, they would not be financially neutral to PG&E and would harm PG&E's ability to make necessary safety and reliability investments in the system.

B. The Wildfire Rate Relief Bonds Benefit Customers

TURN's focus on the overall nominal costs of the bond financing does not undermine the positive benefits of the Wildfire Rate Relief Bonds for customers. The fundamental premise of PG&E's proposal is that it is in the public interest and beneficial to customers to finance a near-term credit through a bond financing that is repaid over time. This financing allows the costs to be spread out to better align with the underlying VM mitigation benefits and enables PG&E to provide an immediate financial benefit to customers in the form of a near-term rate credit. Consistent with PG&E's Initial, Second, and Third AB 1054 Securitizations, costs approved for securitization would be credited to customers to ensure no double recovery from customers. As described in Chapter 6 of PG&E's opening testimony, PG&E would refund the 2023 and 2024 VM expenses included in the Wildfire Rate Relief Bonds that had been collected in customer rates through a credit entry recorded to the Distribution Revenue Adjustment Mechanism (DRAM). The increase in rates as a result of operations and maintenance securitization is outweighed by the near-term bill relief

delivered to customers to ensure the transaction serves the public interest. Thus, the question before the California Public Utilities Commission (Commission) is not whether the Wildfire Rate Relief Bonds involve higher nominal costs over time, but whether the customer rate credit and improved alignment between the cost incidence on customers and the associated real-world mitigation and cost reduction benefits of the VM expenses is reasonable and in the public interest.

To answer that question, the Commission must assess the overall impact of the proposal, accounting for the time value of money over this period—i.e., evaluating the proposal on the basis of its NPV for customers, and the value of delivering an immediate near-term bill relief for customers. Contrary to TURN's suggestion, this is not "magic" or a "trick of math."[2] It is consistent with routine financial analysis and how the Commission has evaluated prior securitization proposals. PG&E's Application properly assessed the immediate and significant value delivered to customers, together with a reasonable estimate of the costs associated with the transaction, by applying a discount rate to future cash flows. The Application conservatively discounted the credit and rate increases at PG&E's weighted average cost of capital, similar to prior securitization transactions and other NPV analyses. As explained in Chapter 4 of PG&E's opening testimony and Chapter 4 of this rebuttal testimony, that analysis yields a positive NPV for customers that totals over $100 million relative to a scenario in which no such bond financing takes place. Indeed, the full range of NPV benefits spans $139 million to $923 million when using estimates closer to the cost of capital faced by customers, as opposed to PG&E, as the discount rate. In this way, the overall transaction is beneficial to customers and also provides the immediate, near-term benefit of a rate credit. Moreover, TURN does not dispute that the proceeds from the Wildfire Rate Relief Bonds would deliver immediate bill relief to customers in the form of a rate reduction of approximately 7 percent for 12 months. For a typical non-California Alternate Rates for Energy (CARE) residential customer, this rate reduction would result in

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2 TURN Testimony at p. 3.

an average bill credit of approximately $15.75 per month for the 12-month period.[3]

As explained further in Chapter 4 of this rebuttal testimony, TURN's estimated negative NPV in Table 1 is incorrect and misleading. In particular, estimating future bill impacts rather than modeling the specific revenue requirement impact introduces significant imprecision, and there are other calculation errors in TURN's Table 1.

C. PG&E's Credit Proposal Is Structured to Provide Meaningful Relief to Customers, Not to Benefit PG&E

This transaction is about customers—not PG&E or PG&E's shareholders. The Wildfire Rate Relief Bonds will deliver critical rate relief to customers and the transaction is cash neutral to PG&E because PG&E will credit the full net bond proceeds to customers over a 12-month period, including accrued interest, rendering any double recovery argument baseless and without merit. PG&E selected this proposed 12-month period for the credit because it is consistent with the initial collection of the Authorized VM Expenses in rates and optimizes the impact of the customer credit on bills. PG&E's interest in this respect is to ensure meaningful rate relief for customers and to reduce rate volatility at the end of the credit period.

TURN argues that PG&E "likely" benefits from this transaction, suggesting that PG&E gets a "float" from the bond proceeds and that this somehow saves shareholders money.[4] TURN then proposes that PG&E be required "to escrow the funds into a trust account or similar vehicle," presumably with monthly disbursements to fund the credit provided to customers.[5] TURN's concerns are unfounded and its proposal is misguided. The transaction is financially neutral and does not benefit PG&E. Indeed, immediately following the bond issuance, PG&E would record the full net bond proceeds to PG&E's DRAM, which ensures that interest will accrue on that amount and be reflected in the rate credit for

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3 Even if the credit no longer addresses the summer 2025 seasonal peak due to the current proceeding schedule, the credit period would still overlap with a period in which rates have increased due to increased expenses. In doing so, it would provide critical, near-term bill relief to customers.

4 TURN Testimony at p. 7.

5 TURN Testimony at p. 3.

customers. The transaction does not raise any capital for PG&E since the effect of the rate credit is a reduction in revenue that PG&E otherwise would collect from customers. In fact, in the quarter following the bond issuance, PG&E would recognize on its accounting books the obligation to provide the *full* 12-month credit to customers and the decreased revenues as a result; this would not be recognized in monthly installments as TURN's proposal seems to suggest.

As noted in Chapter 6 of PG&E's opening testimony, bond proceeds will be recorded as a credit to the DRAM at the time of issuance. This will ensure all accrued interest on the bond proceeds will be included in the rate credit to customers. To the extent TURN takes issue with the standard interest rate (commercial paper) that accrues in DRAM, PG&E is willing to ensure that customers benefit from *the higher of* either (a) the DRAM's commercial paper interest rate; or (b) the actual rate of interest PG&E pays on the bonds themselves.

To create a new accounting structure merely to hold the proceeds in trust for a period of no more than 12 months would be redundant, administratively burdensome, and inefficient. TURN provides no rationale for why incurring the administrative burden and additional expense of segregating funds in a separate account would be in the interest of customers, especially for such a short period of time. Requiring funds to be segregated is impractical and results in unnecessary inefficiencies in cash management, especially where there is no overriding purpose or benefit to customers for such an arrangement.[6] Indeed, doing so would increase administrative costs and reduce the customer benefit from the transaction. That said, if the Commission finds that it is in customers' interest to incur the additional expense of depositing the net bond proceeds into a segregated account, PG&E is willing to consider such a structure. This would mean that (1) the administrative costs of using a segregated account would be funded by the bond proceeds; (2) each month PG&E would use one twelfth of the net bond proceeds (together with any actual accrued interest on that one-twelfth amount) in order to pay for the credit provided to customers; and

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6 This transaction is fundamentally different in scope, purpose and duration than PG&E's rate-neutral securitization, for example, where establishing the Customer Credit Trust was critical for the overall transaction structure and managing investments over an extended period of time.

(3) customers would receive only the actual interest that accrues on the balance in the segregated account.

TURN also confusingly suggests that *decreasing* customer rates by providing a rate credit actually increases the "potential" for *higher* rates for customers due to "an offsetting level of capital costs."[7] This makes no sense and runs contrary to the very rationale for the Wildfire Rate Relief Bonds—which is to provide meaningful relief to customers. TURN also provides no explanation of how this hypothetical would even be feasible since the proposed credit and associated reduction in rates would be provided over a 12-month period following a decision on this Application and the bond issuance, and any new requests for capital expenditures would likely take at least 12 to 18 months for the Commission to resolve in the first instance.

D. TURN's Hypothetical Amortization Scenarios Are Not Feasible and Cannot Deliver Equivalent Rate Relief to Customers

TURN presents various hypothetical scenarios involving extended amortization schedules.[8] However, none of these scenarios is feasible. There will not be a significant unrecovered portion of the Authorized VM Expenses that could be subjected to TURN's proposal in 2025 or 2026.[9] And TURN provides no explanation of how it believes a bill credit could be provided absent a bond issuance to provide the funds for that credit. Moreover, TURN's suggestions would not deliver meaningful rate relief to customers and would harm PG&E rather than be financially neutral like the Wildfire Rate Relief Bonds. In fact, based on PG&E's corrections to TURN's calculations shown in Chapter 4 of this rebuttal testimony, TURN's amortization scenarios would either be a NPV ***cost*** to customers or provide essentially no customer benefit at all compared to the status quo.

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7 TURN Testimony at p. 10.

8 TURN Testimony at pp. 12–13 ("PG&E should propose to amortize the remaining unamortized balances associated with electric distribution[.]").

9 See PG&E Supplemental Testimony, Table 6-2 (estimating that only $259 million of the 2.356 billion in Authorized VM Expenses will be remain unrecovered at the end of 2024). Moreover, a portion of this $259 million would be collected in 2025 prior to a Commission decision on this Application, which is scheduled for Q1 2025 per the September 11, 2024 Assigned Commissioner's Scoping Memo and Ruling at p. 7.

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CHAPTER 4

CUSTOMER BENEFITS

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A. The Net Present Value of the Wildfire Rate Relief Bonds Transaction Is Over $100 million [D. Raman]

As detailed in Chapter 4 of Pacific Gas and Electric Company's (PG&E) opening testimony, the Wildfire Rate Relief Bonds would provide a positive net present value (NPV) benefit to customers estimated at over $100 million, relative to a scenario in which no Wildfire Rate Relief Bonds are issued. The Utility Reform Network (TURN) does not dispute this calculation or that the bond proceeds would deliver immediate bill relief to customers.[1]

TURN, however, presents different calculations to suggest that these benefits are not worth pursuing. First, TURN uses inaccurate bill amounts to suggest that "PG&E's proposal would result in a slightly negative present value of ratepayer benefits,"[2] when the accurate calculation shows a positive present value. Second, TURN argues that the NPV of Wildfire Rate Relief Bonds is lower than prior Assembly Bill (AB) 1054 securitizations involving capital expenditures,[3] without taking into account the different purposes and interest rates and bond tenors involved. Third, TURN presents calculations using different discount rates than PG&E's authorized weighted average cost of capital (WACC), which are not applicable to the present proposed bond issuance. Therefore, none of these criticisms have merit.

1. The Net Present Value Bill Impact for Customers Is Positive, Not Negative as TURN Suggests

TURN's suggestion that the present value of "Non-Care Bill Impacts With and Without Securitization" is negative is rooted in faulty assumptions and methodology. TURN calculates the "[Present Value] of Securitization Average Bill Cost Difference" as negative $3.87 based on the difference between monthly bills without bonds and monthly bills with bonds. TURN's

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1 TURN Testimony at p. 17.

2 TURN Testimony at p. 6.

3 TURN Testimony at p. 14.

use of an estimated bill impact rather than the direct estimate of the required monthly revenue requirements for the Wildfire Rate Relief Bonds and the associated credit to customers is inaccurate and based on flawed analysis. TURN relies on PG&E's response to TURN's question 16[4] in its first set of data requests, but that response is based on the Electric Cost and Rate Tracking Tool, which as noted in the model itself, only performs high-level rate and bill calculation estimates and does not produce rate or bill impacts that match the granularity of PG&E's filing-quality models. While the Electric Cost and Rate Tracking Tool is useful to provide total bill estimates which consider pending and approved revenue requirements as TURN requested, the data should not be used to supersede the filing-quality rate impacts provided in PG&E's testimony in this proceeding which utilize a more detailed rate calculation model, which produced an NPV benefit of over $100 million that TURN does not dispute is calculated correctly.[5]

In addition, TURN's Table 1 calculation has errors—(1) the calculation should not include a bill impact for the Wildfire Rate Relief Bonds in 2035, which would be the eleventh year; and (2) the calculation uses rounded bills which lack the precision provided in PG&E's testimony and materially impacts the NPV result. Indeed, as noted in Chapter 1 (M. Becker) and Chapter 7 (B. Kolnowski) of PG&E's opening testimony, the bill increase following the expiration of the credit is on average $2.40 per month, based on PG&E's model. If the calculations are corrected to utilize the calculations from PG&E's model, the present value of the bill cost difference is a savings of $0.63 using a discount rate of 7.8 percent. The present value of the bill cost difference is a savings of $0.54 using the updated WACC of 7.66 percent.[6] As discussed further below, because of the difference between PG&E's WACC and the estimated borrowing rates for customers in the current market, the benefit of this credit for customers is likely higher than what is shown in Table 4-1.

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4 TURN Testimony Attachment 2 (PG&E response to Data Request_TURN_001-Q016).

5 TURN Testimony at p. 17.

6 Cost of Capital Phase II Decision (D.) 24-10-008, Pending PG&E Advice Letter 4996-G/7423-E.

TABLE 4-1
NON-CARE BILL IMPACTS FROM SECURITIZATION

Line No.		NPV of Monthly Customer Bills									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1	Bill Changes[(a)]	15.75	(2.40)	(2.40)	(2.40)	(2.40)	(2.40)	(2.40)	(2.40)	(2.40)	(2.40)
2	Present Value of Bill Savings at 7.8 Percent Discount Rate	$0.63									
3	Present Value of Bill Savings at 7.66 Percent Discount Rate	$0.54									

(a) Positive numbers reflect bill savings. Bill changes source – PG&E Opening testimony Table 1-1.

2. TURN's Hypothetical Amortization Scenarios Are Not Feasible and Cannot Deliver Equivalent Rate Relief to Customers

TURN presents NPV comparisons of the Wildfire Rate Relief Bonds and two hypothetical scenarios, neither of which is financially viable nor beneficial for customers. As noted in Chapter 1 of this rebuttal testimony, there will not be a significant unrecovered portion of the Authorized Vegetation Management (VM) Expenses that could be subjected to TURN's amortization proposals and TURN provides no explanation of how it believes a bill credit could be provided absent a bond issuance to provide the funds for that credit. Indeed, if TURN means to suggest that PG&E could hypothetically finance the bill credit through regular debt, that would cost significantly more than the Wildfire Rate Relief Bonds and increase the debt burden on PG&E's balance sheet, putting pressure on PG&E's credit strength and in turn further increasing customer costs.

Moreover, in addition to being financially unviable, neither of TURN's hypothetical amortization scenarios would yield a present value benefit for customers and one would be affirmatively detrimental to customers, compared to the over $100 million present value benefit for customers provided by PG&E's proposed Wildfire Rate Relief Bonds. As shown below in Table 4-2, the 24-month amortization scenario would increase customer ***cost*** by an estimated 30 million on a present value basis and the 36-month amortization essentially provides no customer benefit at all compared to the

status quo. The present value benefit for PG&E's proposed Wildfire Rate Relief Bonds is over $100 million even if the calculations were updated for the most recent WACC of 7.66 percent. The 24- and 36-month amortization proposal will add incremental cost on a present value basis for customers with the updated WACC of 7.66 percent.

TABLE 4-2
COMPARISON OF CUSTOMER BENEFITS

Line No.		Present Value of Savings at 7.8 Percent in millions[(a)]	Present Value of Savings at 7.66 Percent in millions[(a)]
1	10-Year Securitization	$121.9	$110
2	24-Month Amortization	$(30.1)	$(31.6)
3	36-Month Amortization	$0.5	$(2.4)

Note: 24 month and 36 month amortization uses commercial paper interest rates of 4.8 percent.
Positive numbers reflect bill savings and negative value reflect incremental cost to customers.

(a) Attachment K.

Attachment L to this rebuttal testimony shows a corrected version of TURN's table 4, which has data calculation errors for the 24-month amortization scenario that PG&E has corrected.[7]

Further, TURN argues that the Wildfire Rate Relief Bonds offer a lower NPV as compared to the total transaction value relative to prior AB 1054 securitizations involving capital expenditures because, according to TURN, securitizing operations and maintenance does not provide any "structural cost reductions."[8] PG&E recognizes that the customer affordability goals of this transaction involving securitizing VM expenses and providing a credit to customers are different from prior capital expenditure securitizations. TURN points to purportedly higher NPV calculations, as shown in Table 4-3, however those capital expenditure securitizations did not involve significant and immediate rate relief for customers, as that was not their purpose.

7 Attachment L, Updated TURN Table 4.

8 TURN Testimony at p. 16.

Moreover, TURN's analysis is comparing apples and oranges. For instance, TURN suggests that the NPV figure in D.20-11-007 was $173.5 million, but that was the statutorily required comparison under Section 850.1(a)(1)(A)(ii)(III) between securitization and traditional utility financing at a utility's WACC.[9] The equivalent statutorily required comparison for the Wildfire Rate Relief Bonds here delivers a NPV of $452.6 million.[10] D.20-11-007 even notes "some uncertainties" regarding "the precise amount to be saved by Consumers" because:

> [T]he Initial AB 1054 Cap Ex capital expenditure costs are subject to a non-equity rate of return pursuant to § 8386.3(e), and given SCE's current 4.84 percent Commission-approved non-equity rate of return, using that reduced return yields savings of approximately $81.8 million on a nominal basis and $52.5 million on a present value basis[.][11]

In other words, $52.5 million—not $173.5 million as TURN suggests—is the equivalent apples-to-apples comparison for the $122 million NPV benefit for customers from the Wildfire Rate Relief Bonds.

Furthermore, TURN's analysis ignores entirely the impacts of bond tenor on the present value calculation as well as the historically low-interest rate environment in 2020-2022. Generally, a longer bond tenor yields greater present value benefits than shorter bond tenors, all else equal. The 10-year bond tenor here was selected based on the benefits of underlying Authorized VM Expenses, but it is significantly shorter than the tenors for the transaction noted in TURN's testimony and the indicative interest rate on the bonds is likewise higher than what was used in those proceedings. The following table shows a true apples-to-apples comparison to past PG&E securitizations, with the statutorily required comparison under Section 850.1(a)(1)(A)(ii)(III), an equivalent bond tenor, and an additional column showing the immediate rate reduction impact. PG&E proposed the 10 year tenor in this securitization application as it better aligns with the benefit period of the vegetation management program.

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9 D.20-11-007 at p. 43 and fn.28.

10 See Chapter 4, 4-3 to 4-4, Attachment C.

11 D.20-11-007 at p. 43 and fn. 28.

TABLE 4-3
COMPARISON OF BILL IMPACT AND NPV WITH AB1054 SECURITIZATION

Line No.	Securitization Application/Tranche	Application/ Decision	Authorized Securitization Amount ($MM)	Securitization Tenor	Present Value of Ratepayer Savings ($MM)	Estimated Annual Bill impact[(a)]
1	AB 1054 Tranche 1	PG&E – D.21-06-030 (p. 1)	$1,190	25 years	$633	$0.8 savings to $0.03 cost
2	AB 1054 Tranche 2	PG&E – D.22-08-004 (p. 1)	$1,400	25 years	$659	$0.96 savings to $0.08 cost
3	AB 1054 Tranche 3	PG&E – D.24.02.011 (p. 1)	$1,412	25 years	$465	$1 savings to $0.2 cost
4	Current Proposal	PG&E A-24-06-013	$2,358	10 years	$122	$15.75 saving to $2.40 cost
5	Hypothetical with 25-Year Bond Tenor	Attachment M	$2,358	25 years	$313	$15.75 saving to $1.40 cost

(a) Represents non-CARE Bundled Residential Customer Bill impact.

3. PG&E's WACC Is the Appropriate Discount Rate and Underestimates the Benefit for Customers

Finally, TURN challenges the use of PG&E's WACC as the discount rate and presents various calculations using other discount rates.[12] Yet, as TURN concedes:

> [T]ypically, ratepayer benefits are measured by discounting the relevant cashflows at the utility's weighted average cost of capital" because the "WACC reflects the relative risk of the business.[13]

Indeed, PG&E's use of the WACC as the discount rate is consistent with prior securitizations and this also is standard for calculating NPVs outside of the securitization context. Moreover, independent of the discount rate, TURN also concedes that it "does not dispute the math of PG&E's of ratepayer benefits relative to the status quo case."[14]

NPV calculations properly account for the time value of money and accurately compare the value of a dollar in customers' wallets today versus the same dollar in the future. In this context, the discount rate represents the opportunity cost for customers of having an additional $15.75 in Year 1, compared to borrowing that same amount today. In the current interest rate environment, typical customer borrowing rates range from 8 percent to 25 percent.[15] Since PG&E has used its currently authorized WACC for the calculation of NPV, that is in fact an *underestimation* of the true benefit for customers, who typically face a higher cost of capital than PG&E. There are a variety of potential estimations for consumer cost of capital, ranging from home equity loans, credit card rates, and the prime rate. As shown in Table 4-4 below, even the lowest of those rates yields a NPV even greater than $122 million, with the full range of NPVs spanning $139 million to $923 million when using these different customer costs of capital as the

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12 TURN Testimony at pp. 16-17. TURN also assumes a declining commercial paper rate over time, with commercial paper rates reaching 2.6 percent in 2027, "assuming a return to the 5-year average from January 1, 2018 to October 10, 2024." *Id*. at p. 18 fn.49. TURN offers no basis for this assumption.

13 TURN Testimony at p. 16.

14 TURN Testimony at p. 17.

15 Federal Reserve Board – Consumer Credit G19, August 2024 Release.

discount rate. Thus, over $100 million is a conservative estimate of the NPV benefit for customers. TURN's use of discount rates such as 90 day commercial paper rate and securitization rates are unrealistic and illogical as PG&E and its customers do not have access to commercial paper rates, and securitization is not available without some cost or expenses to finance.

TABLE 4-4
NPV SAVINGS FOR VARIOUS DISCOUNT RATE OPTIONS

Line No.	Discount rate options	Rate[(a)]	NPV
1	PG&E – 2024 Authorized WACC	7.8%	$121.9
2	PG&E – 2025 Updated WACC	7.66%	$110.0
3	Prime Rate	8.0%	$138.8
4	72-Month Car Loan	8.8%	$201.0
5	Personal Loan	12.3%	$456.6
6	Credit Card Rates	21.8%	$922.6

(a) Federal Reserve Board – Consumer Credit G19, August 2024 Release.

B. Vegetation Management Provides Long-Term Benefits [K. Rasheed]

TURN argues that vegetation management activities yield benefits of only 1-3 years, and thus, do not align with the proposed bond tenor.[16] For reasons explained in Chapter 4 (K. Rasheed) and its attachments, and PG&E's response to Data Request TURN-02, Question 4, TURN is incorrect. TURN focuses on tree trimming only and entirely ignores tree removals, which are the VM expenses that most obviously yield mitigation benefits of permanent or extended duration. PG&E has expanded its focus on tree removal, including in 2023 and year-to-date 2024. Table 4-1 in Chapter 4 of the opening testimony demonstrates an increasing ratio of removal to trims, compared to previous years and a total 2 million trees removed since 2020, with much of this work concentrated in High Fire Threat Districts.

PG&E also performs these vegetation management activities in accordance with best management practices standards and guidelines to produce benefits that range from at least a year to permanent duration. In addition to removals, pruning and trimming performed in accordance with these standards and

16 TURN Testimony at p. 5.

guidelines also yields benefits beyond one year and potentially multiple years, depending on the tree species and growth pattern of the tree.[17] When pruning would necessitate repeated efforts on an annual or biannual basis, PG&E utilizes removal as the preferred option.

[17] Chapter 4 (K. Rasheed), at pp. 4-6.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 4

ATTACHMENT K

NET PRESENT VALUE COMPARISON OF TURN PROPOSALS

Chapter 4, Attachment K

Net Reduction in RRQ for use of Securitized Bonds in comparison with Revenues authorized in 2023 GRC

10 Year Securitization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: Securitized Debt Financing	$ 239.4	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 23.9
4	RRQ: Rate Reduction	$ (2,382.2)	$ -									
5	Annual Savings v Conventional Financing	$ 2,142.8	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (23.9)
6	Cumulative Annual Savings v Conventional Financing	$ 2,142.8	$ 1,823.8	$ 1,504.8	$ 1,185.8	$ 866.7	$ 547.7	$ 228.7	$ (90.4)	$ (409.4)	$ (728.5)	$ (752.4)
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ 121.9**										
9												
10	Discount Rate[1]:	7.8%										

[1]PG&E Return on Ratebase

RRQ Savings for customers with 36 month amortization

36 month amortization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: 36 month amortization	$ 844.8	$ 844.8	$ 844.8								
4	RRQ: Rate Reduction	$ (2,356.0)										
5	Annual Savings v Conventional Financing	$ 1,511.2	$ (844.8)	$ (844.8)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Cumulative Annual Savings v Conventional Financing	$ 1,511.2	$ 666.3	$ (178.5)								
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ 0.5**										
9												
10	Discount Rate[1]:	7.8%										

[1]PG&E Return on Ratebase

RRQ Savings for customers with 24 month amortization

24 month amortization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: 24 month amortization	$ 1,237.8	$ 1,237.8	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	RRQ: Rate Reduction	$ (2,356.0)	$ -									
5	Annual Savings v Conventional Financing	$ 1,118.2	$ (1,237.8)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Cumulative Annual Savings v Conventional Financing	$ 1,118.2	$ (119.7)									
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ (30.1)**										
9												
10	Discount Rate[1]:	7.8%										

[1]PG&E Return on Ratebase

	Present value of savings at 7.8%
10 Year securitization	$ 121.9
24 month amortization	$ (30.1)
36 month amortization	$ 0.5

Chapter 4, Attachment K

Net Reduction in RRQ for use of Securitized Bonds in comparison with Revenues authorized in 2023 GRC

10 Year Securitization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: Securitized Debt Financing	$ 239.4	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 319.0	$ 23.9
4	RRQ: Rate Reduction	$ (2,382.2)	$ -									
5	Annual Savings v Conventional Financing	$ 2,142.8	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (319.0)	$ (23.9)
6	Cumulative Annual Savings v Conventional Financing	$ 2,142.8	$ 1,823.8	$ 1,504.8	$ 1,185.8	$ 866.7	$ 547.7	$ 228.7	$ (90.4)	$ (409.4)	$ (728.5)	$ (752.4)
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ 110.0**										
9												
10	Discount Rate[1]:	7.66%										

[1]PG&E 2025 Return on Ratebase

RRQ Savings for customers with 36 month amortization

36 month amortization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: 36 month amortization	$ 844.8	$ 844.8	$ 844.8								
4	RRQ: Rate Reduction	$ (2,356.0)										
5	Annual Savings v Conventional Financing	$ 1,511.2	$ (844.8)	$ (844.8)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Cumulative Annual Savings v Conventional Financing	$ 1,511.2	$ 666.3	$ (178.5)								
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ (2.4)**										
9												
10	Discount Rate[1]:	7.66%										

[1]PG&E 2025 Return on Ratebase

RRQ Savings for customers with 24 month amortization

24 month amortization

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11
2	RRQ: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	RRQ: 24 month amortization	$ 1,237.8	$ 1,237.8	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	RRQ: Rate Reduction	$ (2,356.0)	$ -									
5	Annual Savings v Conventional Financing	$ 1,118.2	$ (1,237.8)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Cumulative Annual Savings v Conventional Financing	$ 1,118.2	$ (119.7)									
7												
8	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ (31.6)**										
9												
10	Discount Rate[1]:	7.66%										

[1]PG&E 2025 Return on Ratebase

	Present value of savings at 7.58%
10 Year securitization	$ 110.0
24 month amortization	$ (31.6)
36 month amortization	$ (2.4)

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 4

ATTACHMENT L

RECALCULATION OF TURN WORKPAPER TABLE 4

Updated Table 4: Potential Customer Ratemaking Benefits at Various Discounts (in $000)

Summary Comparison of Ratemaking Alternatives				(in $000)				Ratemaking (in $000)			
Ratemaking Alternatives	Total Wildfire O&M For Recovery	Total Paid	Fees and Interest (% of O&M Recovery)	@7.8% WACC	@7.58% WACC	@Bond Rate (5.3%)	@Comm. Paper Rate (4.8%)	@7.8% WACC	@7.58% WACC	@Bond Rate (5.3%)	@Comm. Paper Rate (4.8%)
Status Quo Ratemakng for Remaining 2025 RRQ	$ 259,362	$ 259,362	-	$ 250,345	$ 250,593	$ 253,146	$ 253,754	$ -	$ -	$ -	$ -
10-Year Securitization	$ 2,356,090	$ 3,106,176	31.8%	$ 121,938	$ 140,042	$ 342,806	$ 395,605	$ 128,407	$ 110,551	$ (89,660)	$ (141,851)
24-Month Amorization of $2.35 B in Wildfire O&M	$ 2,356,090	$ 2,467,095	4.7%	$ 268,079	$ 270,722	$ 298,526	$ 305,286	$ (17,734)	$ (20,129)	$ (45,380)	$ (51,533)
36-Month Amorization of $2.35 B in Wildfire O&M	$ 2,356,090	$ 2,508,123	6.5%	$ 221,092	$ 225,872	$ 276,621	$ 289,083	$ 29,253	$ 24,721	$ (23,475)	$ (35,329)

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 4

ATTACHMENT M

NET REDUCTION IN REVENUE REQUIREMENT FOR USE OF SECURITIZED BONDS (25-YEAR TENOR) IN COMPARISON WITH REVENUES AUTHORIZED IN 2023 GR

Chapter 4, Attachment M, Net Reduction in Revenue Requirement for Use of Securitized Bonds (25-Year Tenor) in Comparison With Revenues Authorized in 2023 GRC

Line No.		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
1	Revenue Requirement: GRC Authorized Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -						
2	Revenue Requirement: Securitized Debt Financing	$ 176.4	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8
3	Revenue Requirement: Rate Reduction	$ (2,382.2)	$ -														
4	Annual Savings v Conventional Financing	$ 2,205.8	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)

		2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2055
1	Revenue Requirement: GRC Authorized Revenues																
2	Revenue Requirement: Securitized Debt Financing	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8	$ 176.8							
3	Revenue Requirement: Rate Reduction																
4	Annual Savings v Conventional Financing	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)	$ (176.8)							

5	**Present Value of Annual Savings v GRC Authorized Revenues**	**$ 312.8**
6	Discount Rate:[(a)]	7.8%

(a) PG&E 2024 Return on Ratebase.