

Decision 12-04-015 April 19, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 long-term indebtedness and guarantees not to exceed \$4.75 billion; 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 in one or more series, cumulative Preferred Stock -- \$25 Par Value, Preferred Stock - \$100 Par Value, Preference Stock or any combination thereof; to utilize various debt enhancement features; enter into interest rate hedges; and for an exemption from the Commission's Competitive Bidding Rule.
(U39M)

Application 11-11-001
(Filed November 1, 2011)

**DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
TO ISSUE UP TO \$4.75 BILLION OF DEBT AND PREFERRED STOCK**

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**DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
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1. Summary

This decision grants Pacific Gas and Electric Company (PG&E) the authority to issue up to \$4.75 billion of new debt securities and new preferred or preference stock. This decision also authorizes PG&E to: 1) encumber accounts receivable and utility property; 2) guarantee the securities or other obligations of PG&E's regulated affiliates and regulated subsidiaries, and governmental entities that issue securities on behalf of PG&E; 3) enter into various enhancement features; 4) receive certain exemptions from the Commission's Competitive Bidding Rule; and 5) report all debt securities information required by General Order 24-B on a quarterly basis. We also grant PG&E's motion to file and maintain as confidential selected information filed in response to a request from the assigned Administrative Law Judge.

2. Background

On November 1, 2011, Pacific Gas and Electric Company (PG&E) filed Application (A.) 11-11-001 requesting authorization to: issue up to \$4.75 billion of new debt securities and new preferred or preference stock; enter into various enhancement features; encumber utility property; guarantee obligations of regulated affiliates or regulated subsidiaries, and governmental entities; be exempted from selected portions of the Competitive Bidding Rule (CBR); and to report, pursuant to General Order (GO) 24-B, on a quarterly instead of a monthly basis. On December 12 and 13, 2011, the assigned Administrative Law Judge (ALJ) issued rulings via electronic mail (e-mail), requesting further information from PG&E. PG&E responded to these rulings on December 29, 2011.

On December 29, 2011, PG&E filed a motion requesting authority to file and maintain selected information provided by it in response to the assigned ALJ's ruling, as confidential information under seal, pursuant to Public Utilities (Pub. Util.) Code § 583¹ and GO 66-C.² In particular, PG&E requests that Attachment A, Schedule DR1-Q1 and Attachment C, DR3-Schedules I and II, to its December 29, 2011 responses, which include information regarding PG&E's forecasted cash flow analysis, be filed and maintained as confidential. PG&E claims that these responses contain forward-looking statements subject to change and constitute material, non-public information. No protests to PG&E's motion were filed. We find that PG&E's motion for confidential treatment complies with the requirements of Pub. Util. Code §583 and GO 66-C, by providing information requested by the Commission not required to be open to public inspection. We therefore grant PG&E's motion to treat Attachment A, Schedule DR1-Q1 and Attachment C, DR3-Schedules I and II, to its December 29, 2011 responses, as confidential.

¹ <http://www.leginfo.ca.gov/cgi-bin/waisgate?WAISdocID=3081588023+2+0+0&WAIAction=retrieve>. Pub. Util. Code § 583 in part states "No information furnished to the commission by a public utility, or any business which is a subsidiary or affiliate of a public utility, or a corporation which holds a controlling interest in a public utility, except those matters specifically required to be open to public inspection by this part, shall be open to public inspection or made public except on order of the commission, or by the commission or a commissioner in the course of a hearing or proceeding."

² <http://docs.cpuc.ca.gov/Published/Graphics/644.pdf>. Section 2.2.b. of GO 66-C states "Reports, records, and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage."

3. Request

In its application, PG&E sought authorization to issue up to \$4.75 billion of debt securities and preferred or preference stock, in addition to previously-authorized amounts, until the aggregate principal amount authorized has been fully utilized to meet its future financing needs based on a long-term forecast covering the three-year period 2012 through 2014. The principal amount, form, terms, and conditions of each series of debt securities will be determined by PG&E's management or Board of Directors according to market conditions at the time of sale or issuance. In general, each series of medium-term notes and long-term debt securities are expected to have a maturity of greater than one year.

PG&E intends to issue debt securities as: first and refunding mortgage bonds; medium-term notes; notes; debentures; direct with banks, insurance companies or other financial lenders; accounts receivable financing; tax-exempt debt issued through one or more governmental entities; variable rate debt; subordinated debt; overseas indebtedness; hybrid securities;³ and foreign

³ Hybrid securities are securities that have characteristics of both debt and equity securities. The advantage of these securities over a traditional mix of debt and equity financing is that based on recent guidance by the Internal Revenue Service and rating agencies, most new issuances are structured such that the dividends are tax-deductible to the issuer and the securities are treated, in part, like equity by the rating agencies. Recent issues of hybrids have been structured to offer high equity content (50%-75%) and low default risk in a security that is cost competitive and less dilutive than a similar mix of traditional debt and equity. High equity content treatment by the rating agencies is obtained with long maturities (60 years to perpetuity), the ability to defer dividends, and either an intention or a covenant to replace the security at call or maturity with a security of equal or greater equity content. PG&E plans to treat hybrid securities as preferred equity in its cost of capital proceedings and in determining compliance with its authorized capital structure. Such treatment is consistent with the

Footnote continued on next page

currency denominated securities. Such securities may be issued with: a fixed, floating or deferrable rate of interest; secured or unsecured; at par or with a discount or premium; or, to both domestic or foreign investors. PG&E also proposes to issue debt securities through its regulated affiliates or regulated subsidiaries, and governmental entities, and guarantee the securities or other obligations of its regulated affiliates or regulated subsidiaries, and governmental entities that issue securities on behalf of PG&E.

PG&E seeks authority to offer, issue, and sell preferred or preference stock in one or more offerings with the method of sale, price, dividend rate, liquidation preferences, and other rights, preferences, privileges, and restrictions to be determined prior to each offering in consideration of then prevailing market conditions. PG&E anticipates that the terms of such stock may include, but will not be limited to: (i) restrictive redemption provisions; (ii) dividend rates which may be fixed, floating, adjustable, or which may be set by a market auction procedure; (iii) mandatory sinking funds; and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of the

Commission's past practice with respect to other preferred stock alternatives, such as the Quarterly Income Preferred Securities issued by PG&E. Hybrid securities may be issued as subordinated debt directly to the public or structured as a trust preferred security, with PG&E issuing subordinated debt to a subsidiary, generally in the form of a trust, and the trust issuing preferred securities to the public. The terms of hybrid securities may include, but will not be limited to: (i) restrictive redemption provisions, including, but not limited to, capital replacement provisions, (ii) interest rates which may be fixed, floating, adjustable, deferrable or which may be set by a market auction procedure, (iii) mandatory sinking funds, and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of hybrid securities. Hybrid securities may be registered with the Securities and Exchange Commission and may be listed on a stock exchange. In Decision (D.) 07-05-018, the Commission approved the use by Southern California Edison Company of hybrid securities.

preferred stock. PG&E proposes that each offering of such stock will bear such terms and conditions as may be approved by PG&E's board of directors at or immediately prior to the date of issuance or sale in light of market conditions that may exist at that time. The rights, preferences and privileges applicable to each series of preferred stock will be fixed by resolution of PG&E's board of directors and a certificate of determination of preferences which includes the content of such resolution will be filed with the California Secretary of State.

PG&E proposes to use the proceeds from the issuance and sale of securities authorized pursuant to A.11-11-001, other than for payment of accrued interest, if any, and after payment or discharge of obligations incurred for expenses incident to their issue and sale, for the purposes permitted by Pub. Util. Code § 817 including, without limitation: (1) for the acquisition of property; (2) for the construction, completion, extension or improvement of facilities; (3) for the retirement or refunding of certain previously-issued securities and upon which PG&E paid the fees prescribed by Pub. Util. Code §§ 1904 and 1904.1; and/or (4) to reimburse PG&E for money it has actually expended from income or from any money in its treasury not secured by or obtained from the issuance of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of PG&E indebtedness for any of the aforesaid purposes except maintenance of service and replacements. The amounts so reimbursed will become a part of PG&E's general treasury funds. PG&E also sought authorization to encumber (sell, lease, assign, mortgage, pledge) utility property, including but not limited to accounts receivables and utility property to secure debt securities authorized herein.

In order to manage interest rate risk, PG&E proposes to utilize debt securities enhancement features including but not limited to: put options;

sinking funds; swaptions;⁴ interest rate caps, collars, swaps, hedges, and floors; credit enhancements; treasury lock caps and collars; redemption provisions; tax-exempt financing; warrants; and forward starting swaps. PG&E is also requesting that its use of such authority not be considered as separate debt for purposes of calculating its remaining financing authorization hereunder, since the use of such interest rate management contracts would not affect the amount of the underlying securities issued.

The terms and conditions of swaps and hedges would be determined by PG&E according to market conditions at the time such transactions are negotiated. PG&E also requests that interest rate hedges entered into by an affiliate may be guaranteed by PG&E. PG&E proposes to comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this Application:

1. PG&E will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions.
2. Swap and hedging transactions will not exceed at any time 20 percent of PG&E's total long-term debt outstanding.
3. If PG&E elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination hedging transactions will be subject to review in PG&E's next Cost of Capital proceeding.
4. Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which PG&E receives in connection with long-term debt,

⁴ The option to enter into a swap.

must have counterparties with investment grade credit ratings.

In addition, PG&E will maintain and make available, within 30 days of request, the following:

1. A report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions.
2. A complete copy of executed swap and/or hedging agreements and all associated documentation.

Additionally, PG&E seeks a partial exemption from the Commission's CBR and to be allowed to report quarterly instead of monthly, as required by GO 24-B.

4. Discussion

4.1. Public Utilities Code Requirements for Issuance of Securities

PG&E's request is subject to Pub. Util. Code §§ 816, 817, and 818. The Commission has broad discretion under § 816 et seq. to determine if a utility should be authorized to issue debt. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and stock to protect and promote the public interest.

Pursuant to Pub. Util. Code § 817, a public utility may only issue and use financing for selected purposes.⁵ Those purposes not listed in Pub. Util. Code § 817 may only be paid with funds from normal utility operations. PG&E proposes that it will use: \$3.15 billion of new financing for construction

⁵ <http://www.leginfo.ca.gov/cgi-bin/waisgate?WAIIdocID=3261406119+1+0+0&WAIAction=retrieve>.

expenditures, acquisition of property, or to reimburse its treasury for money expended for those purposes; and \$1.6 billion of new financing for the retirement, refunding, or reissuance of securities previously issued and upon which PG&E has previously paid the prescribed fees.

Pub. Util. Code § 818 states that no public utility may issue notes or other evidences of indebtedness payable at periods of more than 12 months unless, in addition to the other requirements of law, it shall first have secured from the Commission an order authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied. Pub. Util. Code § 818 also requires the Commission, in issuing such an order, to find that the money, property, or labor to be procured or paid for with the proceeds of the debt authorized is reasonably required for the purposes specified in the order and, unless expressly permitted in an order authorizing debt, that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income. These purposes are authorized by § 817 and, as required by § 818, are not reasonably chargeable to operating expenses or income. PG&E has substantiated that its need for issuance of new debt securities and preferred or preference stock are necessary and are for proper purposes, as discussed in Section 4.2 below.

Since PG&E's request is in compliance with Pub. Util. Code § 816 et seq., we grant it authority to issue new debt securities and preferred or preference stock for the aforementioned purposes and terms, and for the amounts determined in the order of this decision.

4.2. Forecast of Sources and Uses

Utility applications seeking authority to issue debt or other securities are based, in part, on forecasted sources and uses of funds that illustrate the requested need for funding. In response to a request from the assigned ALJ,

PG&E provided a confidential forecast of its sources and uses covering the three-year period of 2012-2014. Since we granted PG&E's motion for confidential treatment of its forecast of sources and uses statement (*see* Section 2 of this decision), this information is not included in this decision. Based on a review of this information to determine whether it supports PG&E's need for new financing authority, the assigned ALJ determined that PG&E's forecasted sources and uses net of existing financing authority approximates its request of \$4.75 billion of new financing.

We therefore find that it is reasonable to authorize PG&E to issue \$4.75 billion of new debt securities and new preferred or preference stock. This new financing will allow PG&E to fund its capital expenditure plans for the period 2012 through 2014, and for the other proper purposes discussed in Section 3 of this decision, to the extent authorized by Pub. Util. Code § 817(h). We find PG&E's request to be reasonable and supported by the record.

Granting of financing authority to a utility does not obligate the Commission to approve any capital projects. This financing authority provides PG&E with sufficient liquid resources to timely finance its upcoming public utility projects and to reimburse its treasury. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Therefore, any approval of this financing request would not prejudice any of PG&E's forecasted projects for the period 2012 through 2014.

4.3. Types of Securities to be Issued

PG&E requested authority to issue new debt securities, described in Section 3 of this decision, that are similar to those types of debt securities

authorized in Decision (D.) 08-10-013.⁶ Therefore, we will authorize PG&E to issue the types of debt securities detailed in Section 3 of this decision and enumerated in this order, except as noted herein. PGE& requested authority to include selected terms in its hybrid securities issuances (Footnote 3 of this decision) that would include “but not limited to” the terms listed in the application. We cannot authorize something that has not been identified. Therefore, we authorize PG&E to apply the specific terms to its hybrid securities enumerated in Footnote 3 of this decision and ordered herein.

PG&E requested authority to issue new par or stated-value preferred or preference stock, described in Section 3 of this decision, that are similar to those types of preferred or preference stock authorized in D.08-10-013.⁷ Therefore, we will authorize PG&E to issue the preferred or preference stock detailed in Section 3 of this decision and enumerated in the order herein. PG&E also requested authority to include selected terms in its preferred or preference stock (discussed in Section 3 of this decision) that would “include, but not be limited to” the terms listed in its application. We cannot authorize something that has not been identified. Therefore, we authorize PG&E to apply the specific terms enumerated Section 3 of this decision and ordered herein.

Also consistent with § 824, PG&E must maintain records to identify the specific securities issued pursuant to this decision, and demonstrate that proceeds from such securities have been used only for public utility purposes.

⁶ See D.08-10-013 at 3 and Ordering Paragraph (OP) 1.

⁷ See D.08-10-013 at 3 and OP 1.

4.4. Encumbrance of Utility Property

PG&E also sought authority to encumber its utility property, including but not limited to its accounts receivables and utility plant, as part of issuing secured debt securities. This request to encumber utility property is subject to § 851 which states, in relevant part, that no utility shall encumber any part of its plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or right there under without first having secured from the Commission an order authorizing it to do so.

Consistent with D.08-10-013,⁸ we will authorize PG&E to encumber its utility property, including but not limited to its accounts receivables and utility plant.

Also consistent with D.08-10-013,⁹ we will grant PG&E authority to guarantee or to pledge its assets on behalf of regulated affiliates or regulated subsidiaries of PG&E with regard to both securities and interest rate hedges, which qualify to transact financing arrangements pursuant to Pub. Util. Code § 701.5.

⁸ See D.08-10-013 at 3 and OP 2.

⁹ See D.08-10-013 at 3 and OP 3.

Consistent with D.08-10-013,¹⁰ we will grant PG&E authority to issue debt securities through government entities to obtain tax-exempt status for the securities, whenever PG&E's facilities qualify for tax-exempt financing under federal or state law. In this structured financing, PG&E is authorized to unconditionally guarantee or otherwise secure the government entities' obligations to its debt holders. As a means of securing the government entities' obligations, PG&E may issue and pledge or deliver bonds in an equal principal amount to the government entities.

We also remind PG&E that when it issues debt through a regulated affiliate or subsidiary, it must remain in compliance with the Affiliate Transaction Rules adopted in D.06-12-029. In particular, Rule IX,¹¹ which

¹⁰ See D.08-10-013 at 3 and OP 3.

¹¹ D.06-12-029, Appendix A-3, Rule IX: Protecting the Utility's Financial Health
A. Information from Utility on Necessary Capital:

Each utility shall provide to the Commission on the last business day of November of each year a report with the following information:

1. the utility's estimate of investment capital needed to build or acquire long-term assets (i.e., greater than one year), such as operating assets and utility infrastructure, over each of the next five years;
2. the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;
3. the utility's policies concerning dividends, stock repurchase and retention of capital for each year;
4. the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention of capital;
5. the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and
6. how the utility expects or intends to meet its investment capital needs.

B. Restrictions on Deviations from Authorized Capital Structure:

Footnote continued on next page

requires large California energy utilities and their holding companies to provide a non-consolidation opinion that demonstrates that the “ring-fencing”¹² around

A utility shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on the utility’s capital structure. The utility’s equity shall be retained such that the Commission’s adopted capital structure shall be maintained on average over the period the capital structure is in effect for ratemaking purposes. Provided, however, that a utility shall file an application for a waiver, on a case by case basis and in a timely manner, of this Rule if an adverse financial event at the utility reduces the utility’s equity ratio by 1% or more. In order to assure that regulatory staff has adequate time to review and assess the application and to permit the consideration of all relevant facts, the utility shall not be considered in violation of this Rule during the period the waiver is pending resolution. Nothing in this provision creates a presumption of either reasonableness or unreasonableness of the utility’s actions which may have caused the adverse financial event.

C. Ring-Fencing:

Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:

1. notify the Commission of the inability to obtain a non-consolidation opinion;
2. propose and implement, upon Commission approval, such ringfencing provisions that are sufficient to prevent the utility from being pulled into the bankruptcy of its parent holding company; and then
3. obtain a non-consolidation opinion.

D. Changes to Ring-Fencing Provisions:

A utility shall notify the Commission of any changes made to its ring-fencing provisions within 30 days.

¹² Ring-fencing is defined as the action of a regulated public utility to financially separate itself from a parent/affiliate/subsidiary that engages in non-regulated business, primarily in order to protect ratepayers from financial instability or bankruptcy of the parent/affiliate/subsidiary.

the utility is sufficient to prevent it from being pulled into the bankruptcy of its parent/affiliate/subsidiary.¹³

4.5. Securities Enhancements

PG&E sought authority to include certain securities enhancements, described in Section 3 of this decision, to improve the terms and conditions of PG&E's new issuances of debt securities, and to lower the overall cost of money for the benefit of the ratepayers.

We have previously granted PG&E authority, most recently in D.08-10-013:¹⁴ to use similar securities enhancements as requested in the current application; to not consider enhancements as separate debt for purposes of calculating its remaining financing authorization; and to comply with selected restrictions regarding swap and hedging transactions entered into. In the current application, PG&E requested "flexibility to enter into other hedging and interest

¹³ See D.06-12-029, Appendix A-3, at 31-33, which in part states:

Ring-Fencing. Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:

1. notify the Commission of the inability to obtain a non-consolidation opinion;
2. propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent the utility from being pulled into the bankruptcy of its parent holding company; and then
3. obtain a non-consolidation opinion.

¹⁴ See D.08-10-013 at 3 and OPs 4 and 5.

rate swap arrangements not specifically described in this Application.”¹⁵ We cannot authorize something that has not been identified.

We again authorize PG&E to use these previously approved forms of securities enhancements to lower the overall cost of money for the benefit of the ratepayers, including the requested separation from other securities and compliance with requested restrictions, but limit such authority to the specific types of enhancement features enumerated in Section 3 of this decision and ordered herein.

4.6. Competitive Bidding Rule

Resolution Number F-616, issued on October 1, 1986, requires utilities to issue debt using competitive bids. PG&E intends to competitively bid all underwritten public offerings of first and refunding bonds, intermediate- and long-term notes, and debentures (fixed rate bonds and debentures), of \$200 million or less in principal amount (other than tax-exempt securities) that are sold publicly in the domestic market.

PG&E also seeks an exemption, similar to that authorized in D.08-10-013,¹⁶ from the CBR on issues in excess of \$200 million to meet its financing requirements on more favorable terms. PG&E believes that competitively bidding larger debt issues may result in higher costs of funds to PG&E, less flexibility to adjust timing and terms of transactions, and fewer opportunities for firms owned by Diverse Business Enterprises (DBE), i.e., firms owned by women, disabled veterans and minorities to participate in transactions.

¹⁵ A.11-11-001 at 11.

¹⁶ See D.08-10-013 at OP 7.

In a competitive bidding process, underwriters have limited market information; therefore they will add a risk premium to the price that they bid to the issuer. Once bidding is complete, if investor demand is greater than expected and pricing can be reduced, any price benefits accrue to the bidding firm rather than to the issuer. Alternatively, in a negotiated transaction, because a syndicate of underwriters is able to gauge investor demand, understand price sensitivity, and develop additional investor demand through marketing efforts, the issuer and ultimately the ratepayers benefit.

Negotiated transactions also provide greater flexibility to adjust the timing and terms of a proposed debt offering to meet changing market conditions, while competitive bidding does not allow for restructuring maturity schedules, sales date, or interest rates to adapt to market conditions after bids are submitted.

The secondary performance of prior issuances is also a factor that investors use to guide their decision to invest in new issuances. In a negotiated transaction, the underwriters have the ability to target high-quality, long-term investors to reduce volatility in the secondary market, given their ability to gauge investor demand. In a competitively bid issue, the bidding firm has an incentive to sell the bonds as quickly as possible to reduce its risk of interest rate and market changes, which may decrease investor demand, decrease investor quality, and increase the pricing since investors have less certainty that the securities will be placed with long-term investors at the same price.

In addition, competitive bidding has historically put women, disabled-veteran, and minority-owned firms at a disadvantage in bidding on a bond issue, due to their smaller size and capitalization including these historically underrepresented firms.

4.6.1. Diverse Business Enterprises

PG&E believes that competitively bidding of debt issues in excess of \$200 million may result in, among other things, fewer opportunities for DBE to participate in finance issuances by PG&E. PG&E represents that since 2007, it has employed 11 DBE's as underwriter and co-managers on 22 issuances, totaling \$7.7 billion.

GO 156 was adopted by the Commission in 1986 to promote greater competition among utility suppliers by expanding the available supplier base and to encourage greater economic opportunity for women, minorities, and disabled veterans business enterprise (WMDVBE). The Commission expects PG&E to continue to use their best efforts to include DBE firms such as these in its finance issuances, consistent with GO 156, and report such activity as required by GO 156. DBE's participation in a utility's issuances broadens its investor pool, reaching out to firms that are less capitalized and have more limited distribution capabilities than larger firms.

4.6.2. Securities for Which Competitive Bidding is Not Applicable

PG&E also requests that the following debt securities also be exempted from the CBR: notes sold through a placement agent on a reasonable efforts basis, which are analogous to commercial paper; trust preferred and hybrid securities sold through negotiated arrangements; accounts receivable financings; loans; variable or floating rate debt securities; overseas indebtedness; foreign currency securities; notes; tax-exempt securities, and interest-rate hedges. However, it will, pursuant to the CBR, offer through competitive bidding other fixed-rate debt securities in the form of first and refunding mortgage bonds, intermediate and long-term notes, and fixed rate bonds and debentures, of

\$200 million or less in principal amount (other than tax-exempt securities) that are sold publicly in the domestic market.¹⁷

4.6.3. Alternative CBR Procedures

To provide added flexibility to take advantage of market opportunities, PG&E requests that the Commission grant them an exemption from the CBR to permit PG&E to use the following procedures for those situations where the Rule remains applicable:

1. To shorten the time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required to obtaining a sufficient number of bids from underwriters or purchasers or groups thereof (which time period may be as short as a few hours).
2. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
3. To reject all bids submitted.
4. To request the resubmission of bids.
5. To reschedule subsequent receipt of bids.
6. To vary the amount, terms, and conditions of the debt securities submitted for bids.
7. To waive the requirement for newspaper publication of the above items.

4.6.4. CBR – Conclusion

PG&E's request for the previously described exemptions from the CBR are granted on the basis that the Commission has routinely granted PG&E and other

¹⁷ Because the Competitive Bidding Rule applies only to utilities that have ratings of "A" or higher, PG&E does not intend to, necessarily, competitively bid such fixed rate bonds and debentures, until such time as it meets the minimum bond rating threshold.

utilities similar exemptions¹⁸ with no discernable adverse impacts on the utilities, their customers, or the public at large; and on PG&E's representation that granting the exemptions will enable it to obtain debt in a manner advantageous to PG&E and its ratepayers. We make no finding regarding the reasonableness of the rates, terms, and conditions of debt issued by PG&E pursuant to the exemptions granted herein.

5. Reporting Requirement

GO 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (a) the amount of debt issued by the utility during the previous month; (b) the total amount of debt outstanding at the end of the prior month; (c) the purposes for which the utility expended the proceeds realized from the issuance of debt during the prior month; and (d) a monthly statement of the separate bank account that the utility is required to maintain for all receipts and disbursements of money obtained from the issuance of debt.

PG&E has requested that it be able to report quarterly instead of monthly, as required by GO 24-B. The Commission has granted many utilities authority to report quarterly the information required by GO 24-B in order to reduce their administrative cost of complying with the GO and to conform to past practice.¹⁹ We granted such authority to PG&E in D.08-10-013, and do so again here.²⁰ PG&E may report quarterly to the Commission the information required by GO 24-B. However, PG&E shall report this information on a monthly basis if directed to do so by the Commission staff.

¹⁸ See D.08-10-013 at 11 and OP 7.

¹⁹ See, for example, D.05-08-008 at 36; D.04-10-037 at 51; and D.03-12-052 at 11-12.

²⁰ See D.08-10-0103 at OP 9.

6. Fee

Whenever the Commission authorizes a utility to issue debt and preferred stock, the Commission is required to charge and collect a fee pursuant to Pub. Util. Code §§ 1904(b) and 1904.1. Sections 1904(b) and 1904.1 are not applicable to any issue used to guarantee, take over, refund, discharge, or retire any stock, bond, note, or other evidence of indebtedness on which a fee has previously been paid to the Commission. Therefore, PG&E should pay a fee on just \$3.15 billion of the new financing authorized herein. PG&E should not pay a fee on the \$1.6 billion that will be used to retire/refund/re-issue previously authorized securities. If PG&E intends to use any of the \$1.6 billion for purposes other than the retirement/refund/re-issue of indebtedness previously issued, it shall notify the Commission and pay the corresponding fee before making such use, and identify in its next securities report after issuance how it used the \$1.6 billion of new financing authority earmarked to replace existing long-term debt.

PG&E must remit the required \$1,581,000 fee to the Commission's Fiscal Office. The authority granted by this order shall not become effective until PG&E remits the \$1,581,000 fee to the Commission's Fiscal Office.

Table 2
Calculation of Fee

Amount of Securities	Rate per \$1,000 of Proposed Securities	Total Fee
\$1,000,000	\$2	\$2,000
\$9,000,000	\$1	\$9,000
\$3,140,000,000	\$0.50	\$1,570,000
TOTAL FEE		\$1,581,000

7. Financial Information

We place PG&E on notice that the reasonableness of any resulting interest rate and cost of money arising from the issuance of debt securities and preferred stock as well as capital structures, are normally subject to review in the appropriate cost of capital or general rate case proceeding. Therefore, we will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes or the appropriate cost of money. We do not make a finding in this decision on the reasonableness of PG&E's proposed construction program. Construction expenditures and the resulting plant balances in rate base are issues that are normally addressed in a general rate case or specific application. The authority to issue 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 (CEQA)

CEQA 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.²¹ 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

²¹ Public Resource Code Section 21080(b)(8).

potentially significant impact on the environment are not “projects” subject to CEQA.²²

This decision does not authorize any capital expenditures or construction projects. New construction projects which PG&E intends to finance via this application should undergo CEQA review as early as feasible in the planning process, as required by CEQA Guidelines Section 15004(b). To the extent capital expenditures are financed with the proceeds of the long-term debt issued pursuant to this decision, ongoing projects have already been subject to any necessary CEQA review undertaken prior to PG&E receiving a certificate of public convenience and necessity or permit to construct. CEQA review for future projects will occur through the regulatory processes applicable to each capital project when meaningful information necessary for conducting an environmental assessment is available.

9. Categorization and Need for Hearing

Notice of the application appeared in the Commission’s Daily Calendar of November 3, 2011 and no protests were filed. On December 10, 2011, Resolution ALJ 176-3284 was issued, preliminarily categorizing this application as ratesetting, and that no hearings were needed. Based on the record, we affirm that this is a ratesetting proceeding, and that a hearing is not necessary.

10. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were

²² CEQA Guidelines Section 15378(b)(4).

allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

No comments were filed.

11. Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. The requested financing authority of \$4.75 billion of new debt securities and new preferred or preference stock appears necessary to provide the external funding required to meet PG&E's projected cash requirements through 2014.

2. The proposed new financing requested by PG&E and the associated money, property, or labor to be procured or paid for with the proceeds of this proposed new financing, are, pursuant to Pub. Util. Code §§ 817 and 818, reasonably required for proper purposes, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

3. Pursuant to Pub. Util. Code § 583 and GO 66-C, PG&E filed a motion for leave to file and maintain confidential materials under seal, including Attachment A, Schedule DR1-Q1 and Attachment C, DR3-Schedules I and II, to PG&E's response to the assigned ALJ's ruling.

4. Affiliate Transaction Rule IX in Appendix A-3 of D.06-12-029 requires large California energy utilities and their holding companies to provide a non-consolidation opinion that demonstrates that the "ring-fencing" around the utility is sufficient to prevent it from being pulled into the bankruptcy of its parent/affiliate/subsidiary.

5. Resolution F-616 requires utilities to issue debt using competitive bids.

6. Resolution F-616 also provides for exemptions from the CBR for debt issues in excess of \$200 million and debt that must be obtained on a negotiated basis.

7. PG&E represents that since 2007, it has employed eleven DBE's as underwriters and co-managers on 22 issuances, totaling \$7.7 billion.

8. The necessity or reasonableness for ratemaking purposes of PG&E's construction budget, cash requirements forecast, and capital structure, are normally reviewed and authorized in general rate cases or cost of capital proceedings.

9. GO 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (a) the amount of debt issued by the utility during the previous month; (b) the total amount of debt outstanding at the end of the prior month; (c) the purposes for which the utility expended the proceeds realized from the issuance of debt during the prior month; and (d) a monthly statement of the separate bank account that the utility is required to maintain for all receipts and disbursements of money obtained from the issuance of debt.

10. The Commission has frequently authorized utilities to report on a quarterly basis the information required by GO 24-B in order to reduce the utilities' administrative and compliance costs.

11. Notice of A.11-10-001 appeared in the Commission's Daily Calendar on November 3, 2011 and no protests were filed.

12. Resolution ALJ 176-3284 preliminarily categorized A.11-11-001 as ratesetting and determined that a hearing would not be necessary.

Conclusions of Law

1. PG&E should be authorized to issue new debt securities and new par or stated-value preferred or preference stock of up to \$4.75 billion, all of which are

for proper purposes (including construction expenditures, acquisition of property, reimbursement of PG&E treasury, or retirement, refund, or reissuance of previously issued securities) and consistent with the requirement of Pub. Util. Code §§ 817 and 818.

2. PG&E should be authorized to issue new debt securities including: first and refunding mortgage bonds; medium-term notes; debentures; direct with banks, insurance companies or other financial lenders; accounts receivable financing; tax-exempt debt issued through one or more governmental entities; variable rate debt; subordinated debt; overseas indebtedness; hybrid securities; and foreign currently denominated securities. Such securities may be issued with: a fixed, floating or deferrable rate of interest; secured or unsecured; at par or with a discount or premium; or, to both domestic or foreign investors.

3. PG&E should be authorized to issue hybrid securities with the following terms: (i) restrictive redemption provisions, including, but not limited to, capital replacement provisions, (ii) interest rates which may be fixed, floating, adjustable, deferrable or which may be set by a market auction procedure, (iii) mandatory sinking funds, and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of hybrid securities.

4. PG&E should be authorized to offer, issue, and sell preferred or preference stock in one or more offerings with the method of sale, price, dividend rate, liquidation preferences, and other rights, preferences, privileges, and restrictions to be determined prior to each offering in consideration of then prevailing market conditions.

5. PG&E should be authorized to issue preferred or preference stock with the following terms: (i) restrictive redemption provisions; (ii) dividend rates which may be fixed, floating, adjustable, or which may be set by a market auction

procedure; (iii) mandatory sinking funds; and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of the preferred stock.

6. PG&E's motion for leave to file and maintain confidential materials under seal, including Attachment A, Schedule DR1-Q1 and Attachment C, DR3-Schedules I and II, to PG&E's response to the assigned ALJ's ruling, should be granted for two years.

7. Pursuant to Pub. Util. Code § 851, PG&E should be authorized to encumber (sell, lease, assign, mortgage, pledge) its utility property, including but not limited to accounts receivable and utility property, to secure debt securities, authorized herein.

8. PG&E should be authorized to guarantee the securities and interest rate hedges of its regulated subsidiaries or regulated affiliates, pursuant to Pub. Util. Code § 701.5.

9. PG&E should be authorized to issue debt securities through one or more governmental entities to obtain tax-exempt status for the securities, authorized herein, whenever PG&E's facilities qualify for tax-exempt financing under federal or state law. In this structured financing, PG&E may be authorized to unconditionally guarantee or otherwise secure the obligations of the governmental entities. As a means of securing the governmental entities obligations, PG&E should be authorized to issue and pledge or deliver bonds in an equal principal amount to the governmental entities.

10. PG&E should comply with the Affiliate Transaction Rules set out in Appendix A-3 of D.06-12-029, in particular, Rule IX, which requires large California energy utilities and their holding companies, to provide a non-consolidation opinion that demonstrates that the "ring-fencing" around the

utility is sufficient to prevent it from being pulled into the bankruptcy of its parent/affiliate/subsidiary.

11. PG&E should be authorized to use the following kinds of debt enhancements to manage interest rate risks of its debt securities authorized herein: put options; sinking funds; swaptions; interest rate caps, collars, swaps, hedges, and floors; credit enhancements; treasury lock caps and collars; redemption provisions; tax-exempt financing; warrants; and forward starting swaps.

12. PG&E should be authorized to not consider securities enhancements authorized herein as separate debt for purposes of calculating its remaining financing authorization hereunder, since the use of such interest rate management contracts would not affect the amount of the underlying securities issued.

13. PG&E should be required to comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this decision:

- a. PG&E will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions in its regular report to the Commission.
- b. Swap and hedging transactions will not exceed at any time 20 percent of PG&E's total long-term debt outstanding.
- c. If PG&E elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination hedging transactions will be subject to review in PG&E's next Cost of Capital proceeding.
- d. Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which PG&E receives in connection with long-term debt,

must have counterparties with investment grade credit ratings.

14. PG&E should maintain and make available, within 30 days of request, the following:

- a. A report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions.
- b. A complete copy of executed swap and/or hedging agreements and all associated documentation.

15. PG&E should be authorized to competitively bid all underwritten public offerings of fixed-rate debentures and first mortgage bonds of \$200 million or less.

16. PG&E should be authorized to competitively bid all underwritten public offerings of first and refunding bonds, intermediate- and long-term notes, and debentures (fixed rate bonds and debentures), of \$200 million or less in principal amount (other than tax-exempt securities) that are sold publically in the domestic market.

17. PG&E should be granted an exemption from the CBR for issues in excess of \$200 million.

18. PG&E should be granted an exemption from the CBR to issue the following types of debt securities because they are typically issued through negotiated arrangements: notes sold through a placement agent on a reasonable efforts basis; trust preferred and hybrid securities; loans; variable or floating rate securities; accounts receivable financings; overseas indebtedness; foreign currency securities; notes; tax-exempt securities, and interest-rate hedges.

19. PG&E should be granted an exemption from the CBR to permit PG&E to use the following procedures for those situations where the CBR remains applicable:

- a. To shorten the time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required to obtaining a sufficient number of bids from underwriters or purchasers or groups thereof (which time period may be as short as a few hours).
- b. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
- c. To reject all bids submitted.
- d. To request the resubmission of bids.
- e. To reschedule subsequent receipt of bids.
- f. To vary the amount, terms, and conditions of the debt securities submitted for bids.
- g. To waive the requirement for newspaper publication of the above items.

20. PG&E should file with the Commission, on or before the 25th day of the month following each quarter, a report under GO 24-B.

21. The order herein is not a finding of the reasonableness of PG&E's proposed construction plan or expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor does it indicate approval of matters subject to review in a general rate case or other proceedings.

22. PG&E should remit a check for \$1,581,000 to the Commission, as required by Pub. Util. Code §§ 1904(b) and 1904.1 to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The number of this Decision must appear on the face of the check.

23. The authority granted by this Decision should not become effective until PG&E has paid the fees prescribed by §§ 1904(b) and 1904.1.

24. PG&E should not use the proceeds from the debt authorized by this decision to fund its capital projects until PG&E has obtained all required Commission approvals for the projects, including any required environmental review under CEQA.

25. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus it is not a project subject to CEQA.

26. The authority granted PG&E herein is in compliance with Pub. Util. Code §§ 701.5, 816, 817, 818, 824, and 851.

27. A.11-11-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to issue new debt securities and new par or stated-value preferred or preference stock of up to \$4.75 billion, all of which are for proper purposes (including construction expenditures, acquisition of property, reimbursement of PG&E treasury, or retirement, refund, or reissuance of previously issued securities).

2. Pacific Gas and Electric Company (PG&E) is authorized to issue new debt securities in compliance with Public Utilities Code §§ 701.5, 816, 817, 818, 824, and 851, and the Affiliate Transaction Rules applicable to PG&E.

3. Pacific Gas and Electric Company is authorized to issue new debt securities including: first and refunding mortgage bonds; medium-term notes; notes; debentures; direct with banks, insurance companies or other financial

lenders; accounts receivable financing; tax-exempt debt issued through one or more governmental entities; variable rate debt; subordinated debt; overseas indebtedness; hybrid securities; and foreign currency denominated securities. Such securities may be issued with: a fixed, floating or deferrable rate of interest; secured or unsecured; at par or with a discount or premium; or, to both domestic or foreign investors.

4. Pacific Gas and Electric Company (PG&E) is authorized to issue hybrid securities with the following terms: (i) restrictive redemption provisions, including, but not limited to, capital replacement provisions, (ii) interest rates which may be fixed, floating, adjustable, deferrable or which may be set by a market auction procedure, (iii) mandatory sinking funds, and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of hybrid securities.

5. Pacific Gas and Electric Company is authorized to offer, issue, and sell preferred or preference stock in one or more offerings with the method of sale, price, dividend rate, liquidation preferences, and other rights, preferences, privileges, and restrictions to be determined prior to each offering in consideration of then prevailing market conditions.

6. Pacific Gas and Electric Company is authorized to issue preferred or preference stock with the following terms: (i) restrictive redemption provisions; (ii) dividend rates which may be fixed, floating, adjustable, or which may be set by a market auction procedure; (iii) mandatory sinking funds; and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of the preferred stock.

7. Pacific Gas and Electric Company's (PG&E) motion for leave to file and maintain confidential materials under seal, including Attachment A, Schedule

DR1-Q1 and Attachment C, DR3-Schedules I and II, to its response to the assigned Administrative Law Judge's (ALJ) ruling, is granted. The information will remain under seal for a period of two years after the date of this order. During this two-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned ALJ, the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by PG&E or as ordered by a court of competent jurisdiction. If PG&E believes that it is necessary for this information to remain under seal for longer than two years, PG&E must file a new motion at least 30 days before the expiration of this limited protective order.

8. Pursuant to Public Utilities Code § 851, Pacific Gas and Electric Company is authorized to encumber (sell, lease, assign, mortgage, pledge) its utility property, including but not limited to accounts receivable and utility property, to secure debt securities, authorized herein.

9. Pacific Gas and Electric Company is authorized to guarantee the securities and interest rate hedges of its regulated subsidiaries or regulated affiliates, pursuant to Public Utilities Code § 701.5.

10. Pacific Gas and Electric Company (PG&E) is authorized to issue debt securities through one or more governmental entities to obtain tax-exempt status for the securities, authorized herein, whenever PG&E's facilities qualify for tax-exempt financing under federal or state law. In this structured financing, PG&E may be authorized to unconditionally guarantee or otherwise secure the obligations of the governmental entities. As a means of securing the governmental entities obligations, PG&E should be authorized to issue and pledge or deliver bonds in an equal principal amount to the governmental entities.

11. Pacific Gas and Electric Company is authorized to use the following kinds of debt enhancements to manage interest rate risks of its debt securities authorized herein: put options; sinking funds; swaptions; interest rate caps, collars, swaps, hedges, and floors; credit enhancements; treasury lock caps and collars; redemption provisions; tax-exempt financing; warrants; and forward starting swaps.

12. Pacific Gas and Electric Company is authorized to not consider securities enhancements authorized herein as separate debt for purposes of calculating its remaining financing authorization hereunder, since the use of such interest rate management contracts would not affect the amount of the underlying securities issued.

13. Pacific Gas and Electric Company (PG&E) must comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this decision:

- a. PG&E will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions in its regular report to the Commission.
- b. Swap and hedging transactions will not exceed at any time 20 percent of PG&E's total long-term debt outstanding.
- c. If PG&E elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination hedging transactions will be subject to review in PG&E's next Cost of Capital proceeding.
- d. Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which PG&E receives in connection with long-term debt, must have counterparties with investment grade credit ratings.

14. Pacific Gas and Electric Company must maintain and make available, within 30 days of request, the following:

- a. A report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions.
- b. A complete copy of executed swap and/or hedging agreements and all associated documentation.

15. Pacific Gas and Electric Company is required to competitively bid all underwritten public offerings of fixed-rate debentures and first mortgage bonds of \$200 million or less.

16. Pacific Gas and Electric Company is required to competitively bid all underwritten public offerings of first and refunding bonds, intermediate- and long-term notes, and debentures (fixed rate bonds and debentures), of \$200 million or less in principal amount (other than tax-exempt securities) that are sold publically in the domestic market.

17. Pacific Gas and Electric Company is granted an exemption from the Competitive Bidding Rule for issues in excess of \$200 million.

18. Pacific Gas and Electric Company is granted an exemption from the Competitive Bidding Rule to issue the following types of debt securities because they are typically issued through negotiated arrangements: notes sold through a placement agent on a reasonable efforts basis; trust preferred and hybrid securities; loans; variable or floating rate securities; accounts receivable financings; overseas indebtedness; foreign currency securities; notes; tax-exempt securities, and interest-rate hedges.

19. Pacific Gas and Electric Company is granted an exemption from the Competitive Bidding Rule to permit Pacific Gas and Electric Company to use the

following procedures for those situations where the Competitive Bidding Rule remains applicable:

- a. To shorten the time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required to obtaining a sufficient number of bids from underwriters or purchasers or groups thereof (which time period may be as short as a few hours).
- b. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
- c. To reject all bids submitted.
- d. To request the resubmission of bids.
- e. To reschedule subsequent receipt of bids.
- f. To vary the amount, terms, and conditions of the debt securities submitted for bids.
- g. To waive the requirement for newspaper publication of the above items.

20. Pacific Gas and Electric Company must file with the Commission, on or before the 25th day of the month following each quarter, a report under General Order 24-B.

21. The order herein is not a finding of the reasonableness of Pacific Gas and Electric Company's proposed construction plan or expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor does it indicate approval of matters subject to review in a general rate case or other proceedings.

22. Pacific Gas and Electric Company should remit a check for \$1,581,000, as required by Public Utilities Code §§ 1904(b) and 1904.1 to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The number of this Decision must appear on the face of the check.

23. The authority granted by this decision does not become effective until Pacific Gas and Electric Company has paid the fees prescribed by Pub. Util. Code §§ 1904(b) and 1904.1.

24. Pacific Gas and Electric Company may not use the proceeds from the debt authorized by this decision to fund its capital projects until Pacific Gas and Electric Company has obtained all required Commission approvals for the projects, including any required environmental review under California Environmental Quality Act.

25. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus it is not a project subject to California Environmental Quality Act.

26. Application 11-11-001 is closed.

This order is effective today.

Dated April 19, 2012, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners