Docket: A.20-04-023

Exhibit Number: A4NR-03

Alliance for Nuclear Responsibility

Cross-Examination Exhibit

PG&E Data Response No. A4NR_002-Q01-19

Questions 01, 10, and 11

PACIFIC GAS AND ELECTRIC COMPANY
Securitization 2020
Application 20-04-023
Data Response

PG&E Data Request No.:	A4NR_002-Q01-19		
PG&E File Name:	Securitization2020_DR_A4NR_002-Q01-19		
Request Date:	August 25, 2020	Requester DR No.:	002
Date Sent:	September 9, 2020	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	Q1: David Thomason Q2-Q3: Greg Allen Q4-Q7: David Thomason Q8-Q9: Joseph Sauvage Q10-Q13: David Thomason Q14-Q17: Joseph Sauvage Q18-Q19: David Thomason	Requester:	John L. Geesman

GENERAL OBJECTIONS

1. PG&E objects to each request to the extent it seeks information protected from disclosure by the attorney-client privilege, the attorney work-product doctrine, or any other privilege or protection from disclosure. PG&E intends to invoke all such privileges and protections, and any inadvertent disclosure of privileged or protected information shall not give rise to a waiver of any such privilege or protection.

2. These responses are made without waiving PG&E's rights to raise all issues regarding relevance, materiality, privilege, or admissibility in evidence in any proceeding. PG&E reserves the right, but does not obligate itself, to amend these responses as needed based on any changes to PG&E's Application or the proposed securitization structure.

3. PG&E incorporates each of these General Objections into each of its responses below. Each of PG&E's responses below is provided subject to and without waiver of the foregoing objections and any additional objections made below.

QUESTION 01

Regarding the statement on p. 1-4 of PG&E's redlined Revised Testimony, what are the primary contributors, in order of importance, to PG&E's "increased" expectation that the Customer Credit and Trust surplus sharing will equal or exceed the fixed recovery charge?

ANSWER 01

PG&E objects to this request as vague and ambiguous. Subject to its objections, PG&E responds as follows:

For the reasons described in Chapter 1, Introduction (D. Thomason), served August 7, 2020, PGE's expectation that the Customer Credit and Trust surplus sharing will equal or exceed the FRC has increased. The primary contributors relative to the testimony served on April 30, 2020 are:

1. A 2.90% interest rate for the securitized debt, rather than 3.0%;
2. Higher taxable income due to a higher forecasted rate base;
3. A correction to the amount of state taxes deducted from federal taxable income to reflect carryforward state net operating losses, which resulted in decreased federal taxable income in 2020 and increased federal taxable income in the period from 2021 through 2024;
4. Lower utility interest expense; and
5. Retirement of non-rate base debt by 2030, rather than by 2050.

QUESTION 02

What is the weighted average length of time that the Initial Shareholder Contribution is invested in the Customer Credit Trust?

ANSWER 02

PG&E objects to this question as vague and ambiguous. Subject to its objections, PG&E responds as follows:

It is not possible to estimate the length of time a particular dollar will be invested in the Customer Credit Trust, which is comingled with other sources of cash such as Customer Credit Trust Returns or Additional Shareholder Contributions. Any particular dollar, even if it could be traced, may be invested for the entire 30 years, or it may be invested very briefly. Nevertheless, a weighted average can be calculated through the Monte Carlo model if assumptions are made. For purposes of answering this data request, PG&E assumed a mix of 80% stocks and 20% bonds that yields an annualized net after-tax return of 5.76%, subsequent Additional Shareholder Contributions are netted against Customer Credits before Additional Shareholder Contributions are made, and the first dollars in are the first dollars out. Under those assumptions, the Monte Carlo model yields a weighted average length of time that the Initial Shareholder Contribution is invested (including Customer Credit Trust Returns thereon) in the Customer Credit Trust of 8.3 years, and a weighted average length of time that Additional Shareholders Contributions (including Customer Trust Returns thereon) are invested in the Customer Credit Trust of 15.3 years.

As shown in Table 6-9 of Chapter 6, Customer Credit Mechanism and Investment Returns (D. Thomason; G. Allen), when the cash flows for the Customer Credit Trust are compared to observed historical returns, there is a surplus in all of the five percentile cases. *See* Chapter 6 at page 6-33.

QUESTION 10

Please specify any quantitative constraints on PG&E's current ability to issue investment-grade secured debt at the utility level, and identify the incremental capacity for new issuances such constraints allow in 2021, 2022, and 2023.

ANSWER 10

PG&E objects to this request as vague and ambiguous, and overbroad. Subject to its objections, PG&E responds as follows:

Quantitative constraints on PG&E's ability to issue new investment-grade secured debt include covenants in its lending agreements that limit the total amount of debt permitted to be outstanding. For example, PG&E's bank facilities and credit agreements have a 65% debt-to-capital covenant, and PG&E's bond indenture requires that first mortgage bonds cannot exceed 70% of eligible assets. In addition, the CPUC requires that PG&E maintain a balanced capital structure on average, thereby limiting the proportion of debt in the capital structure. PG&E is also limited in its ability to issue new debt to its CPUC authorization for issuance of long-term debt, which is typically renewed about every three years. PG&E has sufficient capacity to issue additional secured debt to finance rate base growth as shown in Exhibit 5.4, Financial Forecasts: 2020-2024 (Confidential), attached to the updated Chapter 5 testimony served August 7, 2020. In the updated testimony, PG&E provided updated financial projections that reflect the amount of secured debt it anticipates issuing in the 2020 to 2024 projection period to fund rate base growth.

QUESTION 11

Regarding the statement on p. 5-26 of PG&E's redlined Revised Testimony, please identify PG&E's contemplated amortization schedule for Temporary Utility Debt from "cash flows generated by future application of shareholder deductions and substantial net operating losses" if the securitization is not approved.

ANSWER 11

PG&E has not developed a specific amortization schedule, but contemplates that, if the Securitization is not approved, PG&E would refinance some or all of the $6 Billion Temporary Utility Debt in order to more closely align the maturity schedule with the expected cash flows from the use of net operating losses associated with the payment of wildfire claims costs under PG&E's Plan of Reorganization.

QUESTION 12

Regarding the statement ("Accordingly, estimated savings would be approximately $11.74 million in 2023 and approximately $23 million in 2024 and thereafter, since savings of approximately 60 bps on $3.92 billion long-term debt translates to pre-tax annual savings of $23 million. Over an average 18-year life of the bonds PG&E would