

PG&E HEARING EXHIBIT PGE-50

A.20-04-023

PG&E'S SECURITIZATION 2020

PG&E Updated Prepared Testimony
Exhibit 3.1: Financing Order

Updated December 11, 2020

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 3

EXHIBIT 3.1

FORM OF FINANCING ORDER FOR

PROPOSED SECURITIZATION

UPDATED DECEMBER 11, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Pacific Gas and Electric Company for: (1) Issuance of the Financing Order Authorizing \$7.5 Billion of Recovery Bonds; (2) A Finding that the Recovery of Certain Catastrophic Wildfire Amounts Through Securitization and the Imposition of Fixed Recovery Charges Are Authorized Pursuant to Subdivision (c) of Section 451.2 and Section 850.1; (3) Authority to Sell or Assign Recovery Property to One or More Financing Entities; (4) Authority to Service Recovery Bonds on Behalf of Financing Entities; (5) Authority to Establish Fixed Recovery Charges Sufficient to Recover Recovery Costs and Fixed Recovery Tax Amounts; (6) Authority to Establish a Customer Credit Trust for Purposes of Holding Amounts to Pay a Credit to Consumers; (7) Approval of True-up Mechanisms; and (6) Such Further Authority Necessary for Pacific Gas and Electric Company to Carry Out the Transactions Described in this Application. ([])

Application []
(Filed [], 2020)

**[FORM OF] FINANCING ORDER AUTHORIZING THE ISSUANCE OF
RECOVERY BONDS PURSUANT TO
ARTICLE 5.8 OF THE CALIFORNIA PUBLIC UTILITIES CODE**

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FINANCING ORDER¹

1. Summary

This Financing Order grants Application (A.) [] (the “Application”) filed by Pacific Gas and Electric Company (“PG&E”) for authority under Division 1, Part 1, Chapter 4, Article 5.8 of the California Public Utilities Code² (“Article 5.8”) to issue \$7.5 billion of Recovery Bonds (“Bonds” or “Recovery Bonds”) to fund costs and expenses related to 2017 North Bay Wildfires³ (“Catastrophic Wildfire Amounts”) and other Financing Costs (as defined in Section 850(b)(4)⁴) associated with issuing the Bonds (“Bond Issuance Costs”). The Bonds will be issued in one or more series by one or more legally separate special purpose entities (each, an “SPE”), which will transfer the Bond proceeds to PG&E in a true sale in exchange for PG&E’s right, title and interest in and to nonbypassable rates and other charges established by this Financing Order to be collected from certain existing and future Consumers (as defined herein) in PG&E’s service territory (“Fixed Recovery Charges”) in amounts sufficient to repay Bond principal, interest and related costs and all rights to obtain adjustments to such Fixed Recovery Charges in accordance with Section 850.1 and this Financing Order (such right, title and interest defined in Section 850(b)(11) as “Recovery Property”). In addition, PG&E will recover any Fixed Recovery Tax Amounts (“FRTAs”), which are nonbypassable charges to recover federal and State of California income and franchise taxes associated with Fixed

¹ Capitalized terms used but not otherwise defined herein have the meaning defined in the Application or in the Stress Test Application, A.20-04-023.

² Pub. Util. Code §§ 850 – 850.8 (2019) enacted by SB 901 and AB 1054.

³ The 2017 North Bay Wildfires are described in Exhibit A to the Debtors’ and Shareholder Proponents’ Joint Chapter 11 Plan of Reorganization Dated June 19, 2020, confirmed by the Bankruptcy Court by Order dated June 20, 2020, and which became effective on July 1, 2020, *In re PG&E Corporation*, No. 19 30088 (Bankr. N.D. Cal. June 19, 2020) ECF No. 8048 (“PG&E’s Plan” or the “Plan”).

⁴ All statutory references to Sections in this Financing Order are to the California Public Utilities Code unless otherwise indicated.

Recovery Charges but are not approved as Financing Costs to be financed from the proceeds of the Recovery Bonds. Separately, PG&E will establish a grantor trust (the “Customer Credit Trust” or “Trust”), the funds of which PG&E will use to credit affected Consumers (the “Customer Credit”) in connection with the Fixed Recovery Charges. PG&E will fund the Customer Credit Trust starting in 2021 with an initial contribution of \$1.8 billion, which may be pro-rated as described below (the “Initial Shareholder Contribution”). In later years, PG&E will fund additional shareholder contributions to the Customer Credit Trust of up to \$7.59 billion (the “Cap”) based on a formula, attached hereto as Attachment 7, to calculate the incremental cash generated from reducing taxes through applying shareholder-owned tax deductions or net operating losses (“NOLs,” or together “Shareholder Tax Benefits”). Such additional shareholder contributions, which may be pro-rated as described below, shall be referred to herein as “Additional Shareholder Contributions.” To the extent the Recovery Bonds are issued in multiple series, the amount of contributions to the Customer Credit Trust of the Initial Shareholder Contribution and Additional Shareholder Contributions, and the amount of the Cap on Shareholder Tax Benefits, shall be pro-rated to equal the same percentage as the percentage of the total \$7.5 billion of Recovery Bonds that are outstanding. The Shareholder Tax Benefits primarily arise from payments made by PG&E’s shareholders related to wildfire claims settlements and contributions to the California Go-Forward Wildfire Fund described in PG&E’s Plan. The Customer Credit Trust’s assets should also increase over time from investment returns (“Customer Credit Trust Returns”). PG&E will not be obligated to make any other contributions to the Customer Credit Trust. This crediting mechanism inevitably compares favorably to the use of traditional utility financing mechanisms, but even if the crediting mechanism was not

available, the Consumers would benefit from the use of securitization, as compared to the use of traditional utility financing mechanisms.

The Bond principal, interest, and related costs will be recovered via Fixed Recovery Charges. All existing and future Consumers of electricity in the geographic area where PG&E provides electric distribution service as of the date of this Financing Order (“Service Territory”) will be required to pay the Fixed Recovery Charges and FRTAs, if any, except for those Consumers that are exempt pursuant to Section 850.1(i).

Pursuant to Section 850.1(e), the provisions in this Financing Order authorizing the issuance of the Recovery Bonds, the recovery of Bond principal, interest, and certain other Recovery Costs from Consumers, the Fixed Recovery Charges, and the FRTA are irrevocable.

2. Background and Procedural History

On September 21, 2018, Governor Brown signed into law Senate Bill 901 (“SB 901”), which added Sections 451.1 and 451.2, as well as Division 1, Part 1, Chapter 4, Article 5.8 (commencing with Section 850) of the California Public Utilities Code. Article 5.8 was later amended by Assembly Bill 1054 (“AB 1054”) and Assembly Bill 1513 (“AB 1513”).

Section 451.2 and Article 5.8 authorize the issuance of recovery bonds. Some of the critical relevant provisions of SB 901 are as follows:

Customer Harm Threshold: Pursuant to subdivision (b) of Section 451.2, the Commission shall consider a utility’s financial status and determine the maximum amount the utility can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service.

Stress Test: In D.19-06-027, the Commission adopted a methodology for conducting a financial “Stress Test” to implement subdivision (b) of Section 451.2. The methodology may be applied to 2017 wildfire cost and expenses recovery.

Recovery Bonds Authorized: Subdivision (c) of Section 451.2 empowers the Commission to issue a financing order authorizing securitization of the amount of 2017 wildfire costs and expenses disallowed for recovery under Section 451 and subdivision (a) of Section 451.2 but exceeding the Customer Harm Threshold. Paragraph (1) of

Section 850, subdivision (a), confirms that the Commission may authorize PG&E or an affiliate to issue recovery bonds for recovery of the amount of costs and expenses determined pursuant to subdivision (c) of Section 451.2.

Consumer Benefits: The issuance of the Recovery Bonds, and the imposition and collection of Fixed Recovery Charges, are authorized if the Commission finds A. the Recovery Costs to be reimbursed from the Recovery Bonds have been found to be just and reasonable or are allocated to the ratepayers pursuant to subdivision (c) of Section 451.2 and B. the issuance of such Recovery Bonds (i) is just and reasonable, (ii) is consistent with the public interest, and (iii) would reduce, to the maximum extent possible, the rates on a present value basis that Consumers would pay as compared to the use of traditional utility financing mechanisms. (Section 850.1(a)(1)(A).) For purposes of this Financing Order, “Consumers” means any individual government body, trust, business entity, or nonprofit organization that consumes electricity that has been transmitted or distributed by means of electric transmission or distribution facilities whether those electric transmission or distribution facilities are owned by the consumer, PG&E or any other party. (Section 850(b)(3).)

Nonbypassable Charges: The Commission can impose nonbypassable Fixed Recovery Charges on Consumers, as needed, to pay principal, interest, taxes, and other Recovery Costs and any associated FRTAs. Except for a limited number of exemptions, these Fixed Recovery Charges and any FRTAs are applicable to all existing and future electric Consumers. (Sections 850(b)(7), (8) and (12), and 850.1(a) - (d).)

Periodic True-Up Adjustments: There shall be periodic true-up adjustments of the Fixed Recovery Charges using the True-Up Mechanism approved in this Financing Order (which shall be made at least annually and may be made more frequently) as necessary to correct for any overcollection or undercollection of the Fixed Recovery Charges authorized by this Financing Order and to otherwise ensure the timely and complete payment and recovery of Recovery Costs over the authorized repayment term. Adjustments for any FRTAs shall be addressed in an annual Routine True-Up Mechanism Advice Letter. (Sections 850(b)(13) and 850.1(g).)

Irrevocable Financing Order: The Commission’s financing order authorizing Recovery Bonds, the Fixed Recovery Charges, any FRTAs and amounts recoverable via the nonbypassable charges shall be irrevocable by future Commissions. (Section 850.1(e).)

State Pledge: The State of California pledges and agrees with PG&E, owners of Recovery Property, SPEs and holders of Recovery Bonds that the State shall neither limit nor alter, except as otherwise provided with respect to the periodic true-up adjustment pursuant to subdivision (g) of Section 850.1, the Fixed Recovery Charges, any FRTAs, Recovery Property, this Financing Order or rights under this Financing Order until the Recovery Bonds, together with the interest on the Recovery Bonds and associated Financing Costs, are fully paid and discharged. (Section 850.1(e).)

No Debt or Liability of the State: Neither the State of California, nor any political subdivisions thereof, will be liable for any amounts associated with the Recovery Bonds or the Fixed Recovery Charges, and the State's credit and taxes shall not be pledged to pay for the Recovery Bonds or associated costs. (Section 850.1(f)(1).)

Current Property Right: Article 5.8 creates a separate and current property right (Recovery Property) representing the right to receive the revenues from the nonbypassable Fixed Recovery Charges, including all rights to obtain adjustments to the Fixed Recovery Charges, and to all revenues, collections, claims, payments, moneys, or proceeds of or arising from the Fixed Recovery Charges. (Sections 850(b)(11), 850.1(e) and (h), 850.3, 850.3(d), (e), and (g), 850.4(a), (c) and (d), and 850.6.)

True Sale of Property Right: Authorizes the transfer of Recovery Property by PG&E to another entity as an "absolute transfer" and "true sale," provided that the governing documentation expressly states that the transfer is an "absolute transfer" and a "true sale" (Sections 850.1(e), 850.2(c) and 850.4(a).)

Pledge of Property Right as Collateral: Authorizes the pledge of Recovery Property by its owner for the benefit of Recovery Bond investors. (Sections 850.2(b) and (c).)

On April 30, 2020, PG&E filed an application, A.20-04-023, with the Commission pursuant to Section 451.2 to determine the costs and expenses arising from, or incurred as a result of, catastrophic wildfires with an ignition date in the 2017 calendar year. In its application, PG&E stipulated that all of its costs and expenses associated with 2017 catastrophic wildfires should be deemed "disallowed" and reviewed for cost recovery and eligibility for securitization solely pursuant to the Stress Test Methodology adopted by the Commission to implement Section 451.2(b). In that application, PG&E requested the Commission to (1) apply the Stress Test Methodology adopted by the Commission in Decision (D.) 19-06-027; and (2) determine that \$7.5 billion of costs and expenses associated with 2017 catastrophic wildfires claims costs exceeds the Customer Harm Threshold as defined in that Decision and therefore may be recovered from the issuance of recovery bonds pursuant to Section 850.1(a).

Net proceeds from the securitization will be used to pay or reimburse PG&E for the payment of Catastrophic Wildfire Amounts. As a result of the transaction, PG&E will retire

\$6 billion of temporary utility debt and pay or reimburse the \$1.35 billion in cash payments to the Fire Victim Trust.

On [], 2020, PG&E filed A.[] for authority pursuant to Article 5.8 of the Public Utilities Code to issue \$7.5 billion of Recovery Bonds to fund Catastrophic Wildfire Amounts and Bond Issuance Costs through one or more legally separate SPEs.⁵ For purposes of this Financing Order, all references to the SPE shall be applicable to all SPEs that are created to issue any separate series of Recovery Bonds. Notice of A.[] appeared in the California Public Utilities Commission’s (“CPUC” or “Commission”) Daily Calendar on [], 2020.

Pursuant to Section 850.1(g), the Commission has 120 days from the date that A.[] was filed to approve or disapprove the Application. This Financing Order is being issued within the 120-day timeframe.

3. Approval of PG&E’s Application to Issue Recovery Bonds

In A.[], PG&E requests authority under Article 5.8 for one or more legally separate SPEs to issue \$7.5 billion of Recovery Bonds in one or more separate series on or prior to December 31, 2035. The Bonds would be secured by the Recovery Property, and repaid with Fixed Recovery Charges.

PG&E proposes that the Recovery Bonds be repaid using a modified mortgage style amortization, with full repayment on or before [], 20[], to be determined at the time of issuance in an issuance advice letter filed with the Commission after pricing and based on the *pro forma* example contained in the Attachment 2 of this Financing Order (the “Issuance Advice Letter”), such that principal payments may be made at a reduced amount for the first several

⁵ A.[] incorporated the prepared opening and rebuttal testimony in support of the Stress Test Application, A.20-04-023. All references to A.[] include the prepared testimony in support of A.20-04-023.

payment periods. In connection with the offering of Recovery Bonds, PG&E agrees to establish the Customer Credit Trust, which will be used to fund credits to Consumers in connection with Fixed Recovery Charges to be paid by such Consumers. The sole sources of funds for the Customer Credit Trust will be the Initial Shareholder Contribution, the Additional Shareholder Contributions using the Shareholder Tax Benefits and the Customer Credit Trust Returns. Neither PG&E nor PG&E Corporation shall be obligated to make any other contributions to fund the Customer Credit Trust.⁶

Article 5.8 contemplates that the Application should be approved if the following conditions are satisfied:

1. The amount of costs and expenses identified by PG&E in A.20-04-023 related to catastrophic wildfires to be reimbursed from the Recovery Bonds are found to be just and reasonable or are allocated to ratepayers pursuant to subdivision (c) of Section 451.2. (Section 850.1(a)(1)(A)(i).)
2. The issuance of Recovery Bonds is just and reasonable. (Section 850.1(a)(1)(A)(ii)(I).)
3. The issuance of Recovery Bonds is consistent with the public interest. (Section 850.1(a)(1)(A)(ii)(II).)
4. The recovery of Recovery Costs (defined herein as (i) the Catastrophic Wildfire Amounts, (ii) federal and State income and franchise taxes associated with recovery of Catastrophic Wildfire Amounts and (iii) Financing Costs through the designation of the Fixed Recovery Charges) and any associated FRTAs, and the issuance of Recovery Bonds, would reduce, to the maximum extent possible, the rates on a present value basis that Consumers within PG&E's Service Territory

⁶ Page 6-2 of the opening testimony provided in Chapter 6 of A.20-04-023 said "If assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the FRCs for a period of time, the future Customer Credit Trust balance will first be used to make up any previous shortfalls in Customer Credits. In addition, once the Recovery Bonds are repaid in full and the FRCs cease, the Customer Credit Trust will be terminated and the assets liquidated. Customers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of Trust expenses, including computed taxes." As previously noted in footnote 6 on page 3-Exh3.1-9 of the opening testimony provided in Chapter 3 of A.20-04-023, this Financing Order was to be updated based on Chapter 6. The financing order has been revised to conform to the terms of the proposed Securitization that were set forth in that Chapter 6.

would pay as compared with the use of traditional utility financing mechanisms. (Section 850.1(a)(1)(A)(ii)(III).)

5. The Recovery Bonds comply, as necessary, with Sections 701.5 and 816, *et seq.* (Section 850.2(f).)

Each of these conditions is addressed below.

A. The Costs and Expenses Identified by PG&E for Recovery in its Application Related to the Catastrophic Wildfires Will be Determined Pursuant to Subdivision (c) of Section 451.2.

At least \$7.5 billion of PG&E's costs and expenses exceeds the threshold as determined by the Stress Test, and therefore such catastrophic wildfire amounts may be recovered by issuing the recovery bonds.

B. The Issuance of Recovery Bonds is Just and Reasonable

The issuance of Recovery Bonds is just and reasonable because the material terms and conditions of the Recovery Bonds, including without limitation, interest rates, rating, maturity, and the imposition and collection of Fixed Recovery Charges described in detail in Chapter 3 of A.20-04-023, are designed in conformance with industry standards to ensure the lowest-cost, highest-rated bonds, targeting the utility securitization market described in Chapter 2 of A.20-04-023. In addition, after issuance of this Financing Order, the Commission will review the complete terms and conditions of the Recovery Bonds in any Issuance Advice Letter. Moreover, PG&E will provide a Customer Credit that is expected to equal the Fixed Recovery Charges in each billing period such that Consumers will not pay any net charges related to the Recovery Bonds. However, if assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the Fixed Recovery Charges for a period of time, the future Customer Credit Trust balance will first be used (up to the amount of the balance) to make up any previous shortfalls in Customer Credits, including the amount of any FRTA charged on the shortfall. In addition, once the Recovery Bonds are repaid and all Financing Costs have been paid in full and

the Fixed Recovery Charges cease, the Customer Credit Trust will be terminated and the assets liquidated. Consumers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of the Customer Credit Trust expenses, including computed taxes, creating a significant upside opportunity for Consumers.

C. The Issuance of Recovery Bonds is Consistent with the Public Interest

For the reasons mentioned above, the issuance of Recovery Bonds, including all material terms and conditions of the Recovery Bonds, including without limitation, interest rates, rating, maturity, and the imposition and collection of Fixed Recovery Charges, is consistent with the public interest.

D. The Recovery of Recovery Costs Through the Designation of the Fixed Recovery Charges, and any FRTAs, and the Issuance of Recovery Bonds Would Reduce, to the Maximum Extent Possible, Rates on a Present Value Basis that Consumers within PG&E's Service Territory Would Pay as Compared to the Use of Traditional Utility Financing Mechanisms.

The Customer Credit described in PG&E's application inevitably compares favorably to the use of traditional utility financing mechanisms. But even if the Customer Credit was not available, PG&E has demonstrated that recovery of Recovery Costs through the designation of the Fixed Recovery Charges, and any FRTAs, and the issuance of Recovery Bonds would reduce, to the maximum extent possible, rates on a present value basis that Consumers within PG&E's Service Territory would pay as compared to the use of traditional utility financing mechanisms. As described in Chapter 7 of A.20-04-023, issuance of the Recovery Bonds would reduce Consumer rates by approximately \$4.2 billion on a present value basis as compared to traditional utility financing of the Catastrophic Wildfire Amounts.

E. Compliance with Sections 701.5 and 816, et seq.

The fourth condition that must be satisfied is set forth in Section 850.2(f), which states, in relevant part, as follows:

The approval by the commission in a financing order of...[Recovery Bonds] shall include the approvals, if any, as may be required by Article 5 (commencing with Section 816) and Section 701.5...Section 851 is not applicable to the transfer or pledge of Recovery Property, the issuance of [Recovery Bonds], or related transactions approved in a financing order.

We interpret Section 850.2(f) as requiring this Financing Order to include the approvals, if any, as may be required by Sections 701.5 and 816, *et seq.* and that Section 851 is inapplicable to the transaction, including PG&E's sale of Recovery Property. Sections 701.5 and 816, *et seq.* state, in relevant part, as follows:

Section 701.5: [N]o electrical, gas, or telephone corporation, whose rates are set by the commission on a cost-of-service basis, shall issue any bond, note, lien, guarantee, or indebtedness of any kind pledging the utility assets or credit for or on behalf of any subsidiary or affiliate...The commission may, however, authorize an electrical, gas, or telephone corporation to issue any bond, note, lien, guarantee, or indebtedness pledging the utility assets or credit...[for] or on behalf of a subsidiary or affiliate if it engages in activities which support the electric, gas, or telephone corporation in its operations or service, these activities are, or will be, regulated either by the commission or a comparable federal agency, and the issuance of the bond, note, lien, guarantee, or indebtedness is specifically approved in advance by the commission

Section 817: A public utility may issue . . . bonds, notes, and other evidence of indebtedness payable at periods of more than 12 months after the date thereof for any of the following purposes and no others . . . (d) For the discharge or lawful refunding of its obligations; . . . (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization. (g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash. (h) For the reimbursement of moneys actually expended from income or from any other money

in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements

Section 818: No public utility may issue [debt]...unless...it shall first have secured from the commission an order authorizing the issue, stating the amount thereof and the purposes to which the . . . proceeds thereof are to be applied, and that, in the opinion of the commission, the money, property, or labor to be procured or paid for by the issue is reasonably required for the purposes specified in the order, and that...such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Section 823(d): No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other evidence of interest or ownership, or of bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the commission.

We conclude that the Recovery Bonds do not require the Commission's approval pursuant to Section 701.5, as PG&E will not "issue any bond, note, lien, guarantee, or indebtedness of any kind pledging the utility assets or credit for or on behalf of any subsidiary or affiliate." Rather, each SPE, which will not be an electrical, gas or telephone corporation, will issue the Recovery Bonds, and the Bond investors will have no recourse to PG&E. Furthermore, the Customer Credit and the Customer Credit Trust are for the benefit of Consumers, not for or on behalf of any subsidiary or affiliate. The Bonds will be secured by Recovery Property, and it will be the Commission's duty under Article 5.8 to set the Fixed Recovery Charges at a level sufficient to make timely payments of the principal and interest on the Recovery Bonds, and certain other Financing Costs identified, *infra*.

Similarly, we conclude that Sections 817 and 818 are inapplicable to the Recovery Bonds. Those provisions apply to the issuance of long-term debt *by a public utility*, but the Recovery Bonds will be issued by the SPE, not PG&E as a public utility. However, even if

Sections 817 and 818 were to apply, the Recovery Bonds are consistent with their requirements. With respect to Section 817, the Recovery Bonds approved by this Financing Order comply with Section 817(d), (f), (g) and (h). Proceeds from the issuance of the Recovery Bonds will be used by the SPE to purchase Recovery Property from PG&E and pay certain other Bond Issuance Costs. PG&E will then use the proceeds from the sale of the Recovery Property to pay or to reimburse PG&E for the payment of Catastrophic Wildfire Amounts. Catastrophic Wildfire Amounts will be paid pursuant to PG&E's Plan and related agreements in order for PG&E to emerge from Chapter 11. Some of these costs and expenses were financed with \$6 billion in temporary utility debt before the issuance of Recovery Bonds. As a result of the transaction, PG&E will retire the \$6 billion of temporary utility debt and pay or reimburse the \$1.35 billion in cash payments to the Fire Victim Trust. A fundamental purpose of the Recovery Bonds is to allow PG&E to retire the temporary utility debt that helped enable PG&E to reorganize and emerge from bankruptcy. Section 817(f) provides that the Commission may authorize a utility to issue debt for the "readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization." Similarly, Section 817 also authorizes the issuance of debt for the discharge or lawful refunding of a utility's obligations (Section 817(d)); for the retirement of or in exchange for existing debt (Section 817(g)); and for the reimbursement of moneys actually expended from income or from a utility's treasury for other statutory purposes except maintenance of service and replacements (Section 817(h)). Therefore, the Recovery Bonds comply with Sections 817(d), (f), (g) and (h). The Bond transaction also complies with Section 818 because the purpose of issuing the Recovery Bonds is to support PG&E's path to an investment-grade issuer credit rating, and this purpose is in the public interest and not reasonably

chargeable to operating expenses or income.⁷ In addition, to the extent the temporary utility debt constitutes short-term debt within the meaning of Section 823(d), PG&E should be authorized to retire that debt in connection with the issuance of the Recovery Bonds.

F. Approval of the Recovery Bonds

We conclude for the previously stated reasons that the Recovery Bonds proposed by PG&E in A.[] satisfy all the conditions for approval established by Article 5.8. Because issuance of the Recovery Bonds will provide substantial benefits to PG&E's Consumers, we will authorize the issuance of Recovery Bonds.

4. Description of the Approved Recovery Bonds

We next describe the Recovery Bonds authorized by this Financing Order. The authorized Bonds are identical to those described in A.[] and consistent with Article 5.8. Where appropriate, we adopt additional conditions and restrictions applicable to the Bonds.

A. No Recourse to the State

Pursuant to Section 850.1(f)(1), the Recovery Bonds authorized by this Financing Order do not constitute a debt or liability of the State of California or any political subdivision thereof; nor do the Bonds constitute a pledge of the full faith and credit of the State or any political subdivisions. In addition, pursuant to Section 850.1(f)(2), the issuance of the Recovery Bonds shall not directly, indirectly, or contingently obligate the State of any political subdivision to levy or to pledge any form of taxation to pay any obligations associated with the Bonds or to make any appropriations for their payment.

⁷ See D.04-11-015 at 15-16.

As required by Section 850.1(f), all Recovery Bonds shall have written on them a statement to the following effect: “Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, this bond.”

B. Multiple Series of Recovery Bonds

Depending on market conditions at the time, the Recovery Bonds may be issued in one or more series on or prior to December 31, 2035. This Financing Order authorizes multiple series of Recovery Bonds.

To attract a broad range of investors, each series of Recovery Bonds may be divided into several tranches. Each tranche may have a different scheduled final payment date and legal maturity date. PG&E and the SPE shall select the final number, type, and size of bond tranche to reduce, to the maximum extent possible, the rates on a present value basis that PG&E’s Consumers will pay compared to traditional utility financing mechanisms.

The latest maturing tranche of Recovery Bonds shall have a scheduled final payment date of approximately 30 years from the date of issuance, and a legal maturity of approximately 32 years from date of issuance. PG&E states that a legal maturity longer than the scheduled final payment date is a standard feature that allows for delays in scheduled principal payments due to variations in the cash flows from the Recovery Property.

The Recovery Bonds may have fixed or floating interest rates as determined at the time of issuance to provide lower all-in cost of Bonds. In the event the Recovery Bonds have floating interest rates, the SPE will convert any floating rate to a synthetic fixed rate with interest-rate swaps so Consumers will not have significant floating-rate risk. The interest costs recovered in the rates shall be based on the resulting synthetic fixed rate. We authorize floating-rate Bonds only if the all-in cost of the Bonds, including the cost of creating a synthetic fixed rate, is less than what would have been available had these Bonds been issued with comparable maturities in

the fixed-rate market and if the swap does not reduce in any way the overall credit rating for the Recovery Bonds. Finally, PG&E has agreed to comply with the conditions and restrictions set forth in D.12-06-015 and reporting pursuant to General Order (GO) 24-C (described below) with respect to the Recovery Bonds and any interest-rate swaps in connection therewith.

C. Authorized Amount of Recovery Bonds

The Commission authorizes the issuance of Recovery Bonds in an aggregate principal amount of up to \$7.5 billion to fund Catastrophic Wildfire Amounts and Bond Issuance Costs.

D. Receipt of Additional Insurance Proceeds, Tax Benefits, or Other Amounts That Reimburse PG&E for Recovery Costs

The Recovery Costs will include \$7.5 billion of costs associated with Catastrophic Wildfire Amounts and Bond Issuance Costs. PG&E has already accounted for all applicable insurance proceeds in calculating the Catastrophic Wildfire Amounts. Under the proposed transaction, PG&E also will contribute all of the future tax benefits arising from these amounts, in addition to other Shareholder Tax Benefits, to fund the Customer Credit. The Commission determines the Customer Credit to be an appropriate mechanism to credit Consumers for these tax benefits consistent with Section 850.7 and that Section 850.7 requires nothing more.

E. Customer Credit

The Commission authorizes the Customer Credit to credit affected Consumers in PG&E's Service Territory paying Fixed Recovery Charges. The Customer Credit will be funded from the Customer Credit Trust established by PG&E. The Customer Credit Trust will be funded solely with the Initial Shareholder Contribution, the Additional Shareholder Contributions using the Shareholder Tax Benefits and Customer Credit Trust Returns.

PG&E shall not be obligated to make any other contributions to the Customer Credit Trust, and PG&E's failures to pay the Customer Credit shall not change the obligations of

Consumers to pay Fixed Recovery Charges. The Commission may not, as a result of PG&E's failures to pay the Customer Credit or any failure of PG&E to provide the Initial Shareholder Contribution or Additional Shareholder Contributions to the Customer Credit Trust to pay the Customer Credit, adjust, amend or modify the Fixed Recovery Charges, any FRTAs, Recovery Costs, the Recovery Property, the SPE's ownership of Recovery Property or the Recovery Bonds authorized by this Financing Order nor may the Commission rescind, alter or amend the Financing Order, revalue or revise for ratemaking purposes the Recovery Costs or the costs of recovering, financing, or refinancing the Recovery Costs, in any way to reduce or impair the value of Recovery Property either directly or indirectly by taking Fixed Recovery Charges into account when setting other rates for PG&E. Finally, PG&E's failure to pay the Customer Credit shall not impair the characterization of the sale, assignment or transfer of the recovery property to the SPE as an absolute transfer and true sale or affect or impair the SPE's ownership of the Recovery Property or the SPE's separateness from PG&E and PG&E Corporation.

F. The Customer Credit Trust and Trust Agreement

PG&E will establish the Customer Credit Trust in the form of a grantor trust pursuant to a trust agreement (the "Trust Agreement"). The Commission approves the form of the Trust Agreement attached as Attachment 8 to this Order / Attachment E to A.[__].

As set out in the Trust Agreement, the Customer Credit Trust will have a limited purpose, namely, to hold and preserve the Trust's assets (the "Trust Corpus"), and manage the investment thereof and of the Customer Credit Trust Returns, all in order to fund the Customer Credit. The Trust thus will not function as a "business trust" with authority to carry out general business activities.

In addition, the Customer Credit Trust will be authorized to make interim distributions to PG&E only as specified in the Trust Agreement, namely: (i) reimbursing PG&E for the costs of

Customer Credits and (ii) reimbursing PG&E in order to pay the fees and expenses of the Trust, including any tax liabilities incurred in respect of the Customer Credit Trust Returns, as described therein. As long as the Recovery Bonds remain outstanding, PG&E cannot withdraw funds from the Customer Credit Trust for any other purposes, including to satisfy the claims of its creditors. However, if assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the Fixed Recovery Charges for a period of time, the future Customer Credit Trust balance will first be used (up to the amount of the balance) to make up any previous shortfalls in Customer Credits, including the amount of any FRTA charged on the shortfall. In addition, once the Recovery Bonds are repaid and all Financing Costs have been paid in full and the Fixed Recovery Charges cease, the Customer Credit Trust will be terminated and the assets liquidated. Consumers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of the Customer Credit Trust expenses, including computed taxes.

PG&E's appointment of the independent members of the management committee for the Customer Credit Trust (the "Committee") and their compensation for serving on the Committee are subject to Commission approval, which will be sought by PG&E via a Tier 2 advice letter filed with the Commission. The Customer Credit Trust shall abide by the existing investment policies and procedures applicable to the nuclear decommissioning trusts, including D.87-05-062 and D.13-01-039, and specific investment guidelines as may be set forth in agreements with asset manager. The Commission shall approve agreements with asset managers selected by the Customer Credit Trust. Commission approval of such agreements shall be via a Tier 2 advice letter filed by the Company.

G. The Bond Transaction

In accordance with Article 5.8, the Recovery Bonds will be issued by one or more SPEs owned by PG&E.⁸ For purposes of this Financing Order, the description of the Bond transaction shall apply to each SPE established to issue a particular series of Recovery Bonds. The Bonds will be secured by “Recovery Property,” which Section 850(b)(11) defines as the right, title and interest of PG&E: (i) in and to Fixed Recovery Charges, including all rights to obtain adjustments to Fixed Recovery Charges in accordance with Article 5.8 and this Financing Order, and (ii) to be paid the amount that is determined in this Financing Order to be the amount that PG&E is lawfully entitled to receive pursuant to the provisions of Article 5.8 and the proceeds thereof, and in and to all revenues, collections, claims, payments, moneys, or proceeds of or arising from the Fixed Recovery Charges. Article 5.8 requires the Commission to set these rates at a level that provides sufficient funds to make timely payments of Bond principal, interest, and other “Financing Costs.”⁹

PG&E shall transfer the Recovery Property via a true sale and absolute transfer to an SPE that, notwithstanding any PG&E obligation to pay the Customer Credit, is legally separate and bankruptcy remote from PG&E. For the avoidance of doubt, any failure by PG&E to pay the Customer Credit or any failure by PG&E to provide the Initial Shareholder Contribution or Additional Shareholder Contribution to the Customer Credit Trust shall not affect or impair the SPE’s ownership of the Recovery Property. This ensures that if PG&E ever becomes bankrupt, the Recovery Property will not be included in PG&E’s bankruptcy estate. Rather, the revenues

⁸ Article 5.8 authorizes the use of one or more subsidiary SPEs to issue the Recovery Bonds. *See, e.g.*, §§ 850(b)(5), 850.2(a) and (b), 850.4(a), (b), (c) contemplate that the Recovery Bonds will be issued by one or more SPEs.

⁹ § 850.1(e). The definition of “Financing Costs” is set forth in Section 850(b)(4).

from the Recovery Property will continue to be available to pay the debt service on the Recovery Bonds.

The Recovery Bonds will be issued under an indenture and administered by a Bond Trustee. The Recovery Property as well as all other rights and assets of the SPE (“Bond Collateral”) will be pledged to the Bond Trustee for the benefit of the holders of the Recovery Bonds and to secure payment of debt service and other Recovery Costs.

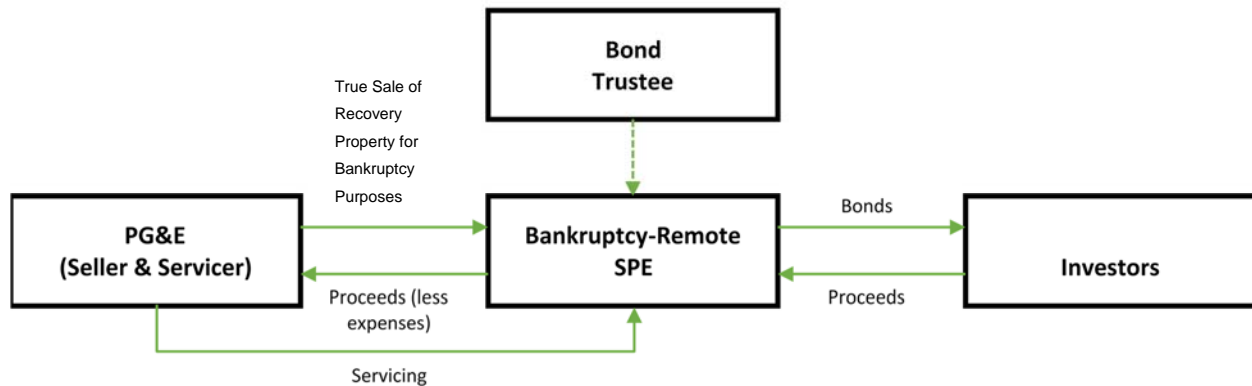
PG&E shall contribute equity to the SPE equal to at least 0.50 percent of the initial aggregate principal amount of each series of Recovery Bonds. The SPE equity will be pledged as Bond Collateral to secure the Recovery Bonds and will be deposited into an account held by the Bond Trustee. This equity contribution is a requirement of the Internal Revenue Service (“IRS”) in order to characterize the Recovery Bonds as obligations of PG&E for federal income tax purposes.¹⁰

To fund the acquisition of the Recovery Property, the SPE will issue Recovery Bonds to investors. The Bonds will be secured by the Bond Collateral held by the Bond Trustee. Holders of Recovery Bonds secured by this Bond Collateral may exercise all remedies pursuant to this security interest if there is a default. The proceeds (net of Bond Issuance Costs) from the Recovery Bonds will be transferred from the SPE to PG&E as payment of the purchase price for the Recovery Property.

The following diagram illustrates the Bond transaction structure approved by this Financing Order:

¹⁰ See IRS Rev. Proc. 2005-62.

Bond Transaction Structure



The Commission shall have full access to the books and records of the SPE. PG&E shall not make any profit from the SPE, except for an authorized return on PG&E's equity investment in the SPE.

H. Credit Rating Issues

To obtain the highest possible credit ratings, the SPE and its assets, including the Recovery Property, must be legally separate from PG&E's bankruptcy estate. To ensure legal separation, the SPE may: (1) include one or more independent members on its board of directors in the case of a corporation or a limited liability company, or an independent trustee in the case of a trust; (2) restrict its ability to declare bankruptcy or to engage in corporate reorganizations; and (3) limit its activities to those related to acquiring and owning the Recovery Property and issuing and servicing the Recovery Bonds.

In connection with the transaction, PG&E will provide to the credit rating agencies an opinion from its legal counsel that: (1) the transfer of the Recovery Property from PG&E to the SPE constitutes a "true sale" for bankruptcy purposes, and (2) the SPE will not be substantively consolidated with PG&E for bankruptcy purposes. This legal opinion will provide assurance to the credit rating agencies that the SPE's assets (including Recovery Property) will not be part of

PG&E's bankruptcy estate, and thus not be available to creditors, should PG&E subsequently commence bankruptcy.

The SPE may obtain credit enhancements for the Recovery Bonds in the form of an overcollateralization subaccount if the credit rating agencies require overcollateralization to receive the highest possible credit rating on the Bonds or the all-in cost of the Bonds with the overcollateralization is less than without.¹¹ The required amount of overcollateralization, if any, may be collected via the Fixed Recovery Charges. Absent extraordinary circumstances, PG&E does not anticipate being required by the credit rating agencies to establish an overcollateralization subaccount, but to the extent such an account is required, the exact amount and timing of its collection via the Fixed Recovery Charges will be determined before each series of Bonds is issued.

The overcollateralization requirement, if any, would be sized based upon input from the rating agencies indicating the amount necessary to achieve the highest possible credit rating. Any overcollateralization that is collected from Consumers in excess of total debt service and other Recovery Costs will be the property of the SPE. Upon payment of the principal amount of all Recovery Bonds and the discharge of all Financing Costs, the increase in value of PG&E's equity interest in the SPE related to the balance in any overcollateralization subaccount or any other subaccount maintained by the SPE (other than the capital subaccount) shall be returned to PG&E and then credited to Consumers through normal rate making processes.

PG&E may also obtain the following types of credit enhancements, but only if required by the rating agencies to achieve the highest possible credit rating on the Recovery Bonds or if

¹¹ To overcollateralize the Bonds means to secure them with Recovery Property or other assets in an amount larger than the total principal amount of the Bonds. Overcollateralization provides further assurance that bondholders will receive all principal and interest due them.

the all-in cost of the Recovery Bonds with these other credit enhancements is less than without the enhancements: bond insurance, letters of credit, and similar instruments. In addition, the Bond Collateral held by the Bond Trustee will be available as a credit enhancement. If the equity capital is drawn upon, it may be replenished from future Fixed Recovery Charges. Until distributed by the Bond Trustee, investment earnings on the equity contribution will also be available to pay for Bond principal, interest, fees and expenses.

I. Bond Issuance Costs

PG&E estimates the Bond Issuance Costs to be between \$36 and \$57 million. An itemization of the estimated Bond Issuance Costs is provided in the following table.

Estimated Bond Issuance Costs¹²	
Underwriter Fees and Expenses	\$26,500,000 – 41,250,000
Legal Fees and Expenses	5,000,000 – 7,000,000
Securities and Exchange Commission (SEC) Registration Fees ¹	973,500
Rating Agency Fees	1,650,000 – 3,000,000
Accounting Fees and Expenses	50,000 – 250,000
Section 1904 Fees ²	756,000
Printing/Edgarizing Costs	45,000 – 85,000
Bond Trustee Fees and Expenses	50,000 – 150,000
Original Issue Discount	TBD
Company's Advisory Fee	1,000,000 – 1,600,000
Miscellaneous	200,000 – 500,000
Commission's Costs and Expenses	500,000 – 1,600,000
Total	\$36,474,500 – 57,164,500
Note 1: Calculated at current SEC registration rate of \$129.80 per \$1,000,000	
Note 2: Section 1904 Fees computed by today's Order.	

¹² This assumes one issuance of Recovery Bonds. Actual costs for each issuance shall be included in the Issuance Advice Letter for the relevant series.

J. Tax Issues

The authorized Bond transaction will be structured to be a “Qualifying Securitization” pursuant to IRS Revenue Procedure 2005-62 to achieve two important tax objectives. First, to lower overall taxes, the SPE will be treated as part of PG&E for federal income tax purposes, and not as a separate entity responsible for paying its own taxes. Second, to avoid an immediate taxable gain when PG&E transfers the Recovery Property to the SPE, the transfer will not be treated as a sale for federal income tax purposes. Instead, the Recovery Bonds will be treated as PG&E’s own debt for federal income tax purposes. The Bond transaction will be legally separate and distinct from the Customer Credit, and therefore should be legally irrelevant to the Bond transaction’s status as a “Qualifying Securitization.” As materially relevant to the Bond transaction, California income and franchise tax law generally conforms to U.S. federal income tax law, including, but not limited to, IRS Revenue Procedure 2005-62.

This Financing Order authorizes PG&E to structure the Bond transaction to meet the elements of a “Qualifying Securitization” pursuant to IRS Revenue Procedure 2005-62 such that: (1) each SPE shall be a wholly owned subsidiary of PG&E capitalized with an equity interest of at least 0.5 percent of the initial aggregate principal amount of Recovery Bonds issued; (2) the Recovery Bonds shall be secured by the Recovery Property; (3) the Fixed Recovery Charges shall be nonbypassable and payable by Consumers within PG&E’s Service Territory; and (4) payments on the Recovery Bonds shall be on a semiannual basis except for the initial payment period which may be shorter or longer.

K. Use of Bond Proceeds

This Financing Order directs PG&E to use the proceeds from the sale of the Recovery Property to pay or reimburse PG&E for the payment of costs and expenses relating to catastrophic wildfires ignited in 2017.

L. Sale of Recovery Bonds

PG&E has proposed that each series of Recovery Bonds be sold pursuant to an underwriting agreement with one or more underwriters in a negotiated offering.

5. Description of the Approved Bond Charges

Article 5.8 authorizes PG&E to recover Bond principal, interest, associated taxes, franchise fees, or license fees imposed on Fixed Recovery Charges, and other Recovery Costs via the Fixed Recovery Charges, and to the extent applicable, the FRTA. This Financing Order authorizes PG&E to implement Fixed Recovery Charges.

We next describe the Fixed Recovery Charges. The new surcharges are identical to those described in A.[] and consistent with Article 5.8. Where appropriate, we adopt additional conditions and restrictions applicable to the Fixed Recovery Charges.

A. Summary of the Fixed Recovery Charges

The purpose of the Fixed Recovery Charges authorized by this Financing Order is to recover the following Recovery Costs associated with the Recovery Bonds:

1. Principal, interest, and any redemption premiums that are payable on Recovery Bonds;
2. Payments required under an ancillary agreement, including related to interest-rate swaps, if any;
3. Credit enhancements;
4. Costs related to issuing and servicing Recovery Bonds or the application for the Financing Order, including without limitation, servicing fees and expenses, legal fees and expenses, accounting fees, administration fees, underwriting and placement fees, financial advisory fees, original issue discount, capitalized interest, rating agency fees, and any other related costs that are approved for recovery in the Financing Order;
5. Amounts required to fund or replenish capital subaccounts or other accounts or subaccounts established under an indenture, ancillary agreements, or other financing documents relating to the Recovery Bonds;

6. Bond Trustee fees and other Bond costs incurred by the Bond Trustee and the SPE;
7. Taxes, franchise fees, or license fees imposed on, or associated with recovery of, Fixed Recovery Charges; and
8. Approved Bond Issuance Costs not funded with Bond proceeds.

In addition to Fixed Recovery Charges, PG&E shall be permitted to recover any FRTAs for federal and State of California income and franchise taxes associated with the Fixed Recovery Charges not approved as Financing Costs financed from the proceeds of Recovery Bonds. Such FRTAs include, but are not limited to, any taxes imposed on net revenues of PG&E. Each series of Recovery Bonds will have its own Fixed Recovery Charges, and, to the extent applicable, FRTAs. All of the revenues from Fixed Recovery Charges will be transferred to a Bond Trustee for the benefit of the SPE, to be applied against the repayment for that series of Bonds on a pari passu basis.

Except for those Consumers exempt pursuant to Section 850.1(i), the Fixed Recovery Charges and any FRTAs will be paid by existing and future electric Consumers in PG&E's Service Territory. Pursuant to Article 5.8, the Fixed Recovery Charges and any FRTAs will be both irrevocable and nonbypassable, which assures Bond investors that the Fixed Recovery Charges will not be interrupted, eliminated, or avoided by Consumers in PG&E's Service Territory.

To implement the Fixed Recovery Charge for each series of Recovery Bonds, PG&E shall file an Issuance Advice Letter no later than one business day after the Bonds are priced. The Issuance Advice Letter will include the final issuance details and a request that the Fixed Recovery Charges be set based on the actual amount and price of the Recovery Bonds. To determine the Fixed Recovery Charges, the Issuance Advice Letter will use the cash flow model described in Attachment 1, applied to that series of Recovery Bonds, along with the most recent

PG&E sales forecast for the relevant time period. The Issuance Advice Letters filed by PG&E should be based on the *pro forma* example contained in Attachment 2 of this Financing Order.

Unless before noon on the fourth business day after pricing the Commission issues an order finding that the proposed issuance does not comply with (i) Article 5.8, (ii) this Financing Order or (iii) the requirements of the Issuance Advice Letter, the Issuance Advice Letter and the Fixed Recovery Charges established by the Issuance Advice Letter will be effective automatically at noon on the fourth business day after pricing, and pursuant to Section 850.1(h), the Recovery Property, established by this Financing Order, will be created simultaneously with the sale of the Recovery Property to the SPE. PG&E shall file the Fixed Recovery Charge tariff based on the *pro forma* tariff as described in Appendix A of Chapter 8 of A.20-04-023 no later than 10 days after this Financing Order is mailed. The tariff shall be effective simultaneously with the first Fixed Recovery Charges.

Article 5.8 requires the Commission to adjust the Fixed Recovery Charges at least annually, and more often if necessary, to ensure timely recovery of Bond principal, interest, and other Financing Costs.¹³ To satisfy this statutory requirement for a periodic true-up adjustment of the Fixed Recovery Charges, this Financing Order adopts the True-up Mechanism proposed by PG&E in A.[] that will allow the Fixed Recovery Charges to be adjusted (i) annually to correct any overcollection or undercollection of Fixed Recovery Charges and (ii) more frequently, if necessary, to ensure that the Fixed Recovery Charges provide sufficient funds to make timely payments of Bond principal, interest, and other Financing Costs. PG&E requested that the Commission approve use of an advice letter process to implement the periodic true-up adjustment. This well-established approach has been used for PG&E's prior issuances of Energy

¹³ §§ 850.1(e) and (g).

Recovery Bonds and Rate Reduction Bonds and will create efficiencies for the Commission and its staff.¹⁴ For the avoidance of doubt, the Commission's authority under Article 5.8 and pursuant to Section 850.1(g) to authorize periodic true-up adjustments persists until the Recovery Bonds and all Financing Costs are fully paid and discharged, and does not expire like the Commission's authority to issue financing orders in the first instance under Section 850.6.

PG&E, or any successor servicer, shall file annual Routine True-Up Mechanism Advice Letters at least 15 days before the last day of February until all principal, interest, and other related costs have been paid in full. These annual Routine True-Up Mechanism Advice Letters should be based on the *pro forma* example in Attachment 3 of this Financing Order and shall also address any FRTAs. These filings are meant to ensure that the actual Fixed Recovery Charge revenues are neither more nor less than required to repay Bond principal, interest, and related costs. The revised Fixed Recovery Charges and any FRTAs in the annual Routine True-Up Mechanism Advice Letters shall go into effect automatically on March 1st immediately following the filing.

PG&E, or a successor servicer, should also implement, if it deems necessary, a semi-annual true-up adjustment. The semi-annual true-up adjustment shall be used if PG&E, or a successor servicer, forecasts that Fixed Recovery Charge collections will be insufficient to make all scheduled payments of Bond principal, interest, and other Recovery Costs on a timely basis during the current or next succeeding payment period or to replenish any draws upon the capital subaccount. If PG&E, or the successor servicer, determines a semi-annual true-up

¹⁴ In the alternative, should the Commission decide that implementation of the periodic true-up adjustments must take the form of an application, PG&E requests that the Commission authorize an expedited process that results in a final decision within 30 days of the filing of an application. As noted above, prompt implementation of the periodic true-up is critical to the rating agencies' evaluation.

adjustment is necessary, PG&E, or the successor servicer, may file an interim Routine True-Up Mechanism Advice Letter at least 15 days before August 31 to adjust the Fixed Recovery Charge. The revised Fixed Recovery Charge will be effective automatically on the 1st day of September immediately following the filing.

PG&E, or a successor servicer, may also file interim Routine True-Up Mechanism Advice Letters at such other times as PG&E, or the successor servicer, deems necessary. For example, if PG&E, or the successor servicer, forecasts that Fixed Recovery Charges collections may be insufficient to make scheduled payments of Bond principal, interest, and other Recovery Costs on a timely basis during the current or next succeeding payment period, PG&E, or the successor servicer, may file an interim Routine True-Up Mechanism Advice Letter instead of waiting until the next normally scheduled date for filing such advice letter. PG&E may file an interim Routine True-Up Mechanism Advice Letter at least 15 days before the end of a calendar month, and the revised Fixed Recovery Charges would be effective automatically on the first day of first calendar month after the advice letter is filed. The interim Routine True-Up Mechanism Advice Letters should be based on the *pro forma* example in Attachment 3 of this Financing Order.

PG&E, or any successor servicer, may file annual, semi-annual and interim Routine True-Up Mechanism Advice Letters until the Bonds and other Financing Costs are paid off. All true-up adjustments to the Fixed Recovery Charges shall ensure that the Fixed Recovery Charges generate sufficient revenues to make timely payments of all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, and other Financing Costs to be paid with Fixed Recovery Charge revenues. Such amounts are referred to as the “Periodic Payment Requirement.” True-up filings shall be based upon the cumulative

differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of Fixed Recovery Charge remittances to the Bond Trustee for the series of Recovery Bonds. This will result in adjustments to the Fixed Recovery Charges to correct for overcollections or undercollections. In the case of any adjustments occurring after the final scheduled payment date for a series of Bonds, there will be no less frequently than quarterly adjustments to the Fixed Recovery Charges to correct for overcollections or undercollections by the earlier of the end of the then current calendar year or the legal maturity date for the series.

Prompt implementation of the Routine True-Up Mechanism Advice Letters is critical to the rating agencies' determination of: (1) the reliability and adequacy of funds to make debt service payments, and (2) whether other credit enhancements will be required to obtain the highest possible credit ratings. Since it is important that the Bonds have the highest possible credit rating and because these Routine True-Up Mechanism Advice Letters should be ministerial, the adjustments to the Fixed Recovery Charge and any FRTAs, in the case of the annual Routine True-Up Mechanism Advice Letters, proposed in Routine True-Up Mechanism Advice Letters will be implemented automatically as described previously. Parties will have limited notice and opportunity to protest these Advice Letters, and the Energy Division will review these Routine True-Up Mechanism Advice Letters to confirm the mathematical accuracy of the proposed true-up adjustment. Therefore, even though this Financing Order establishes a mechanism to implement revisions to the Fixed Recovery Charges and any FRTAs automatically, all Fixed Recovery Charge- or FRTA-related Routine True-Up Mechanism Advice Letters will be subject to protest, review, correction, and refund to the extent allowed by Section 850.1(e).

PG&E, or a successor servicer, may also submit Non-Routine True-Up Mechanism Advice Letters to propose revisions to the logic, structure, and components of the cash flow model described in Attachment 1. Non-Routine True-Up Mechanism Advice Letters will be filed at least 90 days before the date when the proposed changes would become effective, with the resulting changes effective on the effective date identified in the Non-Routine True-Up Mechanism Advice Letter. The Energy Division should prepare for the Commission's consideration a resolution that adopts, modifies, or rejects the proposed revisions to the cash flow model. The public will have an opportunity to review and protest a Non-Routine True-Up Mechanism Advice Letter in accordance with Commission procedures to the extent allowed by Section 850.1(e). Absent a Commission resolution that adopts, modifies or rejects the Non-Routine True-Up Mechanism Advice Letter, PG&E, or a successor servicer, may implement Fixed Recovery Charge adjustments proposed in a Non-Routine True-Up Mechanism Advice Letter on the effective date identified in the letter.

The Routine True-Up Mechanism Advice Letters and Non-Routine True-Up Mechanism Advice Letters shall calculate a revised Fixed Recovery Charge for each series of Recovery Bonds using the cash flow model specified in Attachment 1 of this Financing Order or the Non-Routine True-Up Mechanism Advice Letter as applicable, except that:

1. The Periodic Payment Requirement for the next year would be (i) increased or decreased by the amount by which actual remittances of Fixed Recovery Charge revenues to the Bond Trustee collection account through the end of the month preceding the month of calculation was less than or exceeded the Periodic Payment Requirement for the prior period, and (ii) to the extent not included in (i), decreased by the amount projected to be held in the excess funds subaccount at the beginning of the next payment period.
2. Forecasted sales for the remainder of the current year and of the subsequent year, if applicable, of the transaction would be revised to reflect PG&E's latest estimate of sales.

3. Estimated Financing Costs will be modified to reflect changed circumstances.
4. Assumed uncollectibles will be modified to equal the percentage of losses actually experienced during the most recent 12-month billing period for which such information is available.
5. An adjustment will be made to reflect collections that will be received at the existing tariff rate from the end of the month preceding the date of calculation through the end of the month in which the calculation is done.

B. Calculating the Customer Credit

In connection with the offering of the Recovery Bonds, PG&E will establish the Customer Credit Trust to hold funds from which it will pay the Customer Credit. The sources of funds for the Customer Credit Trust will be the Initial Shareholder Contribution, the Additional Shareholder Contributions using the Shareholder Tax Benefits and the Customer Credit Trust Returns.

When PG&E files annual Routine True-Up Mechanism Advice Letters to adjust the Fixed Recovery Charges, PG&E will also file Tier 1 Advice Letters to adjust the Customer Credit to equal the adjusted Fixed Recovery Charges. PG&E would file annual Tier 1 Advice Letters at least 15 days before the last day of February until all principal, interest, and other Financing Costs have been paid in full and the Fixed Recovery Charges cease. Because these Tier 1 Advice Letters should be ministerial, PG&E proposes that the revised Customer Credits in the annual Tier 1 Advice Letters (assuming timely filing by PG&E with the Commission) go into effect automatically on March 1st immediately following the filing.

If PG&E files an interim Routine True-Up Mechanism Advice Letter to adjust the Fixed Recovery Charges, PG&E will also file a Tier 1 Advice Letter to adjust the Customer Credit to equal the adjusted Fixed Recovery Charges. In the case of a semi-annual interim Routine True-Up Mechanism Advice Letter, PG&E would file an interim Tier 1 Advice Letter at least 15 days

before August 31st to adjust the Customer Credit, and the revised Customer Credit would go into effect automatically on September 1st immediately following the filing. In the case of any other interim Routine True-Up Mechanism Advice Letter, PG&E will file an interim Tier 1 Advice Letter at least 15 days before the end of a calendar month, and the revised Customer Credit would be effective automatically on the 1st day of the following calendar month. Any interim Tier 1 Advice Letter should be ministerial allowing for the revised Customer Credit to be effective automatically on the dates described in this Financing Order.

If PG&E submits a Non-Routine True-Up Mechanism Advice Letter to adjust the Fixed Recovery Charges, PG&E will also file a Tier 1 Advice Letter to adjust the Customer Credit. A non-routine Tier 1 Advice Letter would be filed at least 90 days before the date when the proposed changes would become effective, with the resulting changes effective on the effective date identified in the Tier 1 Advice Letter. PG&E proposes that the Energy Division prepare for the Commission's consideration a resolution that adopts, modifies, or rejects the proposed revisions to the cash flow model. Absent a Commission resolution, PG&E may implement Customer Credit adjustments proposed in a non-routine Tier 1 Advice Letter on the effective date identified in the letter.

Each year, PG&E will project the balance of the Customer Credit Trust for the upcoming year. If the projected balance is less than the annual projected Fixed Recovery Charges for the year, PG&E would file a Tier 1 Advice letter to reduce the Customer Credit such that the projected Customer Credit for the following 12 months would equal the projected balance of the Customer Credit Trust at the end of the year. PG&E will seek to file this Tier 1 Advice letter at least 15 days before the end of February, such that the revised Customer Credit would be effective automatically on the first day of the following calendar month.

C. Effect on Other Rates

There are numerous costs and benefits associated with the Recovery Bonds that will be flowed through to Consumers of electricity via other ratemaking processes. The specific costs and benefits that will be addressed in other rate making proceedings will be:

1. The cost of franchise fees assessed by the cities and counties. The Fixed Recovery Charges will be subject to franchise fees levied by cities and counties. These franchise fees will be recorded as costs of service in each PG&E base rate case.
2. The benefit of servicing and administration fees paid to PG&E. PG&E will be the initial servicer for the Recovery Bonds. That means that PG&E will bill Consumers, collect the revenues, and remit the Fixed Recovery Charge revenues to the Bond Trustee. In addition, PG&E will be the administrator for the SPE. The Bond Trustee will pay PG&E for these servicing and administration services. If there are insufficient funds in the Customer Credit Trust to pay the Customer Credit, PG&E will credit these fees to Consumers through normal ratemaking methods.
3. The benefit of any surplus funds held by the Bond Trustee. The Bond Trustee will hold the Fixed Recovery Charge revenues used to repay the Recovery Bonds. To the extent the Bond Trustee earns interest in excess of its obligations under the financing agreements, that interest will be held in the excess funds subaccount and used to reduce future Fixed Recovery Charge requirements. Upon repayment of the Recovery Bonds, if a balance remains in the collection account, or any subaccount (other than the capital subaccount), that balance will be returned to Consumers via PG&E's next base-rate case.

D. Consumer Responsibility for Fixed Recovery Charges

As required by Article 5.8, Sections 850(b)(7), 850(b)(8), and 850.1(b), the Fixed Recovery Charges and any FRTAs shall be nonbypassable and recovered from existing and future Consumers in PG&E's Service Territory other than those Consumers participating in the California Alternative Rate for Energy or Family Electric Rate Assistance programs pursuant to Section 850.1(i). The Fixed Recovery Charges and FRTAs will be set on an equal cents per kilowatt-hour ("kWh") basis, however for residential rates, PG&E proposes to retain the rate

relationships by tier determined by D.15-07-001 with the addition of the Fixed Recovery Charges, any FRTAs and Customer Credit.

Chapter 9 of A.20-04-023 shows an illustrative Fixed Recovery Charge of \$0.00541 per kWh for 2024. For 2024, PG&E estimates that assuming all Bonds are issued with an interest rate as of the date of the application in A.[], the aggregate of the Fixed Recovery Charges will be equal to \$0.00541 per kWh. The Customer Credit is designed to equal the amount of the Fixed Recovery Charges such that the net effect on Consumer bills should be zero dollars but neither PG&E nor PG&E Corporation shall be required to make contributions, other than the Initial Shareholder Contribution and Additional Shareholder Contributions, to the Customer Credit Trust if amounts in the Customer Credit Trust are insufficient to achieve this objective.

PG&E's testimony provided in Chapter 7 of A.20-04-023 demonstrated that regardless of the Customer Credit, if the Commission evaluates the recovery of Catastrophic Wildfire Amounts through the issuance of Recovery Bonds when compared to traditional utility financing mechanisms, the issuance of Recovery Bonds, in connection with the Fixed Recovery Charges, would reduce the rates, on a present value basis, that Consumers within PG&E's Service Territory would pay as compared to traditional utility financing mechanisms available to PG&E. Based on the assumptions presented in Chapter 7 of A.20-04-023, PG&E demonstrated that using traditional utility financing mechanisms, annual Catastrophic Wildfire Amounts revenue requirements would be expected to decrease from approximately \$948 million in year 1 to approximately \$263 million in year 30. The annual Catastrophic Wildfire Cost revenue requirement using Recovery Bonds is expected to grow from approximately \$254 million in year 1 to approximately \$395 million in year 29. As a result, PG&E calculates that, using a

discount rate of 7.34 percent, the present value of Consumer savings would be approximately \$4.2 billion.

E. Bill Presentation

PG&E may combine all Fixed Recovery Charges into a single line item and the Customer Credit in a single line item presented monthly on Consumers' bills. In accordance with PG&E's proposal, the back of the bill shall display the Fixed Recovery Charge as the "Recovery Bond Charge" and the Customer Credit as the "Recovery Bond Credit" and shall state as follows:

Recovery Bond Charge: Your bill for electric service includes a charge that has been approved by the CPUC to repay bonds issued for certain costs related to catastrophic wildfires. The Recovery Bond Charge (RBC) rate is currently \$0.00541 per kWh. PG&E has also contributed certain amounts to a trust fund which is used provide a customer credit equal to \$0.00541 per kWh (Recovery Bond Credit). The right to recover the RBC has been transferred to a Special Purpose Entity that issued the bonds and does not belong to PG&E. PG&E is collecting that portion of the RBC on behalf of the Special Purpose Entity.

F. Revenue Accounting

PG&E shall separate the revenues from the Fixed Recovery Charges into multiple components for accounting purposes. The Fixed Recovery Charge revenue for each series of Recovery Bonds will be determined in accordance with the Fixed Recovery Charge Electric Preliminary Statement.

G. Billing, Collecting, and Remitting the Fixed Recovery Charges

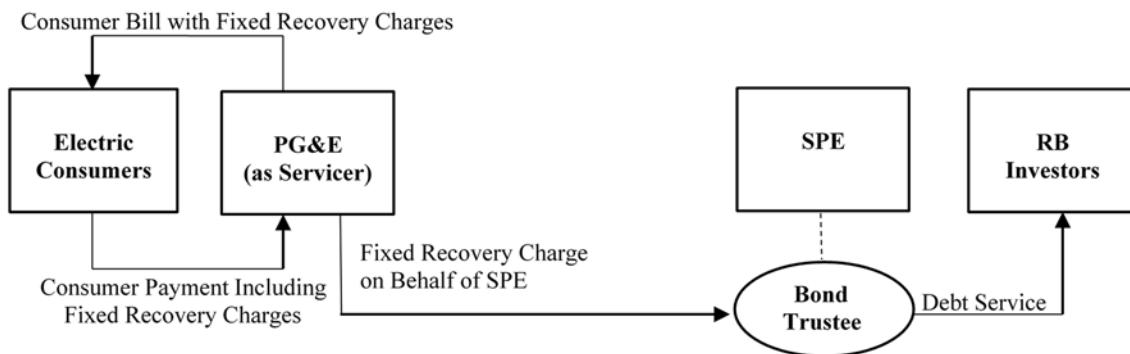
As contemplated by Article 5.8,¹⁵ PG&E will act as the initial servicer for the Recovery Property that will be pledged to secure the Recovery Bonds. As servicer, PG&E will be responsible for reading customer meters, for submitting true-up adjustment letters, and for billing, collecting and remitting the Fixed Recovery Charge. To the extent Consumers of

¹⁵ §§ 850.1(b), 850.1(e), and 850.2.

electricity in PG&E’s historic Service Territory are billed by Electric Service Providers (“ESPs”) or another utility or entity, PG&E will bill these ESPs, utilities or entities, as the case may be, for the Fixed Recovery Charges, and the ESPs, utilities and entities will be obligated to remit Fixed Recovery Charge revenues to PG&E.

As servicer, PG&E will remit estimated Fixed Recovery Charges revenues, on behalf of the SPE, to the Bond Trustee. The Bond Trustee will be responsible for making principal and interest payments to Bond investors and paying other Financing Costs. These other Financing Costs include, among other costs, servicing fees, administration fees, Bond Trustee fees, legal fees, accounting fees, ongoing rating agency fees and other financing costs. PG&E expects the ongoing Financing Costs (excluding third party servicing fees) plus an allowance for uncollectibles to be approximately \$4.1 million in the first year, \$5.3 million in the second and third years, and \$5.6 million per year thereafter. The following diagram illustrates the servicing cash flows:

SERVICING CASH FLOWS



As servicer, PG&E will remit Fixed Recovery Charge revenues in accordance with the servicing agreement to the Bond Trustee. An SPE will own legal title to, and all equitable interest in, the Recovery Property, including the Fixed Recovery Charges, and PG&E will be legally obligated to remit all Fixed Recovery Charge revenues to the Bond Trustee. PG&E

expects the rating agencies to require PG&E to remit the estimated Fixed Recovery Charge revenues to the Bond Trustee on a daily basis to avoid an adverse impact on the Recovery Bond credit ratings.

Over the life of the Recovery Bonds, PG&E will prepare a monthly report for the Bond Trustee that shows the estimated Fixed Recovery Charge revenues by month over the life of the Recovery Bonds. Estimated Fixed Recovery Charge collections will be based on historic Consumer payment patterns. Six months after each monthly billing period, PG&E will compare actual Fixed Recovery Charge revenues to the estimated Fixed Recovery Charge revenues that have been remitted to the Bond Trustee for that month during the intervening 6-month period. The difference between the estimated Fixed Recovery Charge collections and the actual Fixed Recovery Charge collection will be netted against the following month's remittance to the Bond Trustee. The 6-month lag between the first remittance of estimated Fixed Recovery Charge revenues and the final determination of actual Fixed Recovery Charge cash collections allows for the collection process to take its course and is consistent with PG&E's practice of waiting six months after the initial billing before writing off unpaid customer bills.

The Bond Trustee (acting on behalf of the SPE) will have a legal right to only the amount of actual Fixed Recovery Charge cash collections. Amounts collected that represent partial payments of a Consumer's bill will be allocated between the Bond Trustee and PG&E based on the ratio of the billed amount for the Fixed Recovery Charge to the total billed amount. PG&E states that this allocation is an important bankruptcy consideration in determining the true sale nature of the transaction.

The Bond Trustee will hold all Fixed Recovery Charge collections received from PG&E in a collection account and distribute these funds to make scheduled principal and interest

payments and to pay servicing fees and other Financing Costs. PG&E anticipates that the collection account will have two subaccounts: (1) the capital subaccount to hold the capital contribution made by PG&E and (2) the excess funds subaccount to hold investment earnings and funds collected in excess of amounts necessary to pay principal, interest and other Financing Costs on a Bond payment date.

The Bond Trustee will invest all funds in investment-grade short-term debt securities that mature on or before the next Bond payment date. Investment earnings will be retained in the collection account to pay principal, interest or other Financing Costs. If funds, other than investment earnings from amounts held in the capital subaccount, remain in the collection account after distributions are made on a Bond payment date, they will be credited to the excess funds subaccount of the collection account. These amounts in the excess funds subaccount as well as the capital subaccount will be available to pay principal, interest or other Financing Costs as they come due. At the time of the next scheduled true-up filing, the excess funds subaccount balance will be used to offset the revenue requirement for the Fixed Recovery Charge true-up calculation. Investment earnings in the capital subaccount will be paid by the Bond Trustee to the SPE on the Bond payment date, except in the unlikely event that these funds are needed to pay Recovery Bond principal, interest, and other Financing Costs.

We accept PG&E's representation that in order to obtain the necessary true sale and bankruptcy opinions, the SPE must pay a servicing fee to PG&E that is set at a level estimated to cover the servicer's out-of-pocket costs and expenses in servicing the Recovery Bonds including, without limitation, the costs and expenses of billing, monitoring, collecting, and remitting Fixed Recovery Charges, and reporting requirements imposed by the Servicing Agreement. PG&E represents that annual servicing fees for utility asset backed securitization transactions range

from 0.05 percent to 0.10 percent of the initial principal amount of the Bonds, which is consistent with the costs of servicing similar assets.¹⁶ Therefore, we authorize PG&E to charge an annual servicing fee of 0.05 percent of the initial principal amount of the Recovery Bonds. If there are insufficient funds in the Customer Credit Trust to pay the Customer Credit, PG&E shall separately credit to electric Consumers the amount of this servicing fee.

In the event that PG&E fails to perform its servicing functions satisfactorily, as set forth in the Servicing Agreement, or is required to discontinue its billing and collecting functions, a successor servicer acceptable to the Bond Trustee, acting on behalf of the Bond holders, and approved by the Commission will replace PG&E. We accept PG&E's representation that the annual fees paid to the new servicer should be no greater than 0.60 percent of the initial principal amount of the Bonds.¹⁷ Any fees paid to the new servicer that exceed the pre-approved range will require Commission approval.

The credit quality and expertise in performing servicing functions will be important considerations when appointing a successor servicer to ensure the credit ratings for the Recovery Bonds are maintained. Therefore, the Commission does not intend to approve a new servicer without first determining that the appointment of the selected servicer will not cause the then-current rating of any then outstanding Recovery Bonds to be withdrawn or downgraded. This will provide assurance to the credit rating agencies that the Bonds' rating will not be undermined in the future because of a third-party servicer.

¹⁶ Based on a Bond principal amount of \$7.5 billion, the servicing fee would be \$3.75 million per year.

¹⁷ Based on a total initial Bond principal amount of \$7.5 billion, the servicing fee would be no greater than \$45 million per year.

Although PG&E will act as servicer, it is possible that ESPs or other entities will bill and collect the Fixed Recovery Charges and any FRTAs from some Consumers. These ESPs or other entities should meet minimum billing and collection experience standards and creditworthiness criteria. Otherwise, the rating agencies might impose additional credit enhancement requirements or assign lower credit ratings to the Bonds. Therefore, ESPs or other entities that bill and collect the Fixed Recovery Charges and FRTAs will have to satisfy the creditworthiness and other requirements applicable to ESPs that meter and bill electric Consumers as set forth in PG&E's Electric Rule 22.P., "Credit Requirements."

6. General Order 24-C and Financing Rule

GO 24-C requires utilities to submit a periodic report to the Commission that contains, among other things, the following information: (1) the amount of debt issued by the utility at the end of the period; (2) the total amount of debt outstanding at the end of the prior period; and (3) the commissions paid and total proceeds received from debt issued during the prior period. The Commission's Financing Rule adopted in D.12-06-015 (as amended in D.12-07-003) likewise imposes certain requirements and reporting obligations in connection with the issuance of debt securities and use of swaps and hedges. PG&E states that it will comply with the Financing Rule and GO 24-C with respect to the Recovery Bonds, and we authorize PG&E, on behalf of the SPE, to provide periodic reports pursuant to GO 24-C and the Financing Rule regarding the Recovery Bonds to the Commission staff.

7. Fees

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee in accordance with Section 1904(b), which states, in relevant part, as follows:

Section 1904(b): For a certificate authorizing an issue of bonds... two dollars (\$2) for each one thousand dollars (\$1,000) of the face value of the authorized issue or fraction thereof up to one million dollars (\$1,000,000), one dollar (\$1) for each one thousand dollars (\$1,000) over one million dollars (\$1,000,000) and up to ten million dollars (\$10,000,000), and fifty cents (\$0.50) for each one thousand dollars (\$1,000) over ten million dollars (\$10,000,000), with a minimum fee in any case of fifty dollars (\$50). **No fee need be paid on such portion of any such issue as may be used to guarantee, take over, refund, discharge, or retire any stock, bond, note or other evidence of indebtedness on which a fee has theretofore been paid to the commission.** (Emphasis added.)

We conclude that Section 1904(b) applies to the Recovery Bonds, as there is nothing in Article 5.8 that exempts the Bonds from Section 1904(b). The Recovery Bonds will be used to pay or reimburse PG&E for the \$6 billion in temporary utility debt, which PG&E will retire as a result of the transaction. Since PG&E has already paid fees on the temporary utility debt, no Section 1904(b) fees are due on \$6 billion of the \$7.5 billion issuance of Recovery Bonds. The following table shows the calculation of the fee required by Section 1904(b):

Step 1: Amount of Debt on which the Fee is Owed	
Recovery Bonds Authorized by this Order	\$7,500,000,000
Less: Use of Bond Proceeds to Retire Debt Authorized by D.20-05-053	(\$6,000,000,000)
Less: Use of Bond Proceeds to Retire Common Stock	(\$0)
Net Debt Subject to Fee	\$1,500,000,000
Step 2: Computation of Fee	
Fee on First \$1 Million	\$2,000
Fee on \$2 Million - \$10 Million	\$9,000
Fee on \$10 Million to \$7.5 billion	\$745,000
Total Fee	\$756,000
Note 1: PG&E to pay the Section 1904(b) fee pursuant to this Financing Order	

PG&E shall remit the required fee of \$756,000 to the Commission's Fiscal Office no later than 10 days after all conditions for the issuance of the Bonds have been satisfied and, in any event, prior to the first issuance of the Bonds. This fee will be a Bond Issuance Cost.

8. Irrevocable Financing Order

This Financing Order is irrevocable to the extent set forth in Section 850.1(e). Pursuant to Section 850.1(e), the State of California through this Financing Order pledges and agrees with PG&E, owners of Recovery Property, the SPE(s), and holders of the Recovery Bonds, that the State shall neither limit nor alter, except with respect to the True-Up Mechanism, the Fixed Recovery Charges, any FRTAs, Recovery Property, this Financing Order, or any rights thereunder until the Recovery Bonds, together with the interest thereon and other associated Financing Costs, are fully paid and discharged, and any associated taxes have been satisfied or, in the alternative, have been refinanced through an additional issue of Recovery Bonds. However, nothing shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of PG&E and the owners and holders of Recovery Bonds. The SPE is authorized to include this pledge and undertaking for the state in the Recovery Bonds.

As required by Sections 850(b)(13) and 850.1(g), the Commission shall adjust the Fixed Recovery Charges, as necessary, to ensure timely recovery of all Recovery Costs that are the subject of this Financing Order, and the costs associated with the recovery, financing, or refinancing thereof, including servicing and retiring the Recovery Bonds authorized by this Financing Order. When setting other rates or charges for PG&E, nothing in Article 5.8 shall prevent the Commission from taking into account the collection of Fixed Recovery Charges in excess of the amount required to pay Recovery Costs financed or refinanced by the Recovery Bonds or any FRTAs.

9. PG&E's Written Consent to Be Bound by the Financing Order

In accordance with Section 850.1(d), this Financing Order shall become effective only after PG&E files its written consent to all the terms and conditions of this Financing Order. PG&E shall file and serve within 10 days from the date this Financing Order is mailed a written statement that provides notice of whether or not PG&E consents to all terms and conditions of this Financing Order. If PG&E declines to provide its consent, PG&E's written statement shall identify the specific terms and conditions it finds objectionable and explain why it does not consent to these terms and conditions.

10. Rehearing and Judicial Review

This Financing Order construes, applies, implements, and interprets the provisions of Article 5.8. Therefore, applications for rehearing and judicial review of this Financing Order are subject to Sections 1731 and 1756. These laws provide that any application for rehearing of this Financing Order must be filed within 10 days of the final Financing Order. The Commission must issue its decision on any application for rehearing within 210 days of the filing for rehearing. Within 30 days after the Commission issues its decision denying the application for a rehearing, or, if the application was granted, then within 30 days after the Commission issues its decision on rehearing, or at least 120 days after the application for rehearing is granted if no decision on rehearing has been issued, any aggrieved party may petition for a writ of review in the court of appeal or the Supreme Court for the purpose of having the lawfulness of the Financing Order or decision on rehearing inquired into and determined. If the writ issues, it shall be made returnable at a time and place specified by court order and shall direct the Commission to certify its record in the case to the court within the time specified.

Findings of Fact

1. The \$7.5 billion of Recovery Bonds proposed by PG&E in A.[] possess all of the following characteristics required or authorized by Article 5.8:

- i. The Bonds will be secured principally by the right to receive revenues from an irrevocable and nonbypassable Fixed Recovery Charge designed to provide timely and sufficient funds to pay for Bond principal, interest (including interest-rate swaps, if any), any credit enhancements and other Financing Costs. This right is part of Recovery Property.
- ii. The proceeds of the Bonds will be used to (a) pay Catastrophic Wildfire Amounts and (b) finance Bond Issuance Costs.
- iii. The Bonds may be issued in one or more series up to \$7.5 billion in the aggregate on or prior to December 31, 2035.
- iv. PG&E will not issue the Bonds. The Bonds will be issued by one or more bankruptcy remote SPEs that are (a) formed and wholly owned by PG&E, and (b) separate from PG&E. Each SPE will purchase the Recovery Property in an absolute transfer and true-sale and own the Recovery Property, including the right to receive Fixed Recovery Charge revenues.
- v. PG&E's obligations and commitments under this Financing Order, and PG&E's ability to pay the Customer Credit and PG&E's ability to provide the Initial Shareholder Contribution or Additional Shareholder Contributions to the Customer Credit Trust, shall neither (i) impair the characterization of the sale, assignment, or transfer of the Recovery Property as an absolute transfer and true sale nor (ii) impair each SPE's status as an entity that is separate from PG&E and PG&E Corporation nor (iii) limit or alter the Fixed Recovery Charges, the Recovery Property, this Financing Order, or any rights under this Financing Order.
- vi. Financing Catastrophic Wildfire Amounts through issuing the Recovery Bonds will result in Consumer benefits because there is present value difference of approximately \$4.2 billion through issuance of Recovery Bonds when compared to traditional recovery methods for the Catastrophic Wildfire Amounts. Financing Catastrophic Wildfire Amounts through issuing the Recovery Bonds, using the crediting mechanism proposed by PG&E should result in no cost to ratepayers, as the Initial Shareholder Contribution, Additional Shareholder Contributions and Customer Trust Returns are designed to absorb the full cost of

the \$7.5 billion of debt service. However, even if the crediting mechanism were not available, the use of securitization is projected to result in an estimated \$4.2 billion of net present value savings (based upon current market conditions) when compared to traditional recovery methods for the Catastrophic Wildfire Amounts.

- vii. The Bonds of each series will be amortized on a modified mortgage style basis as determined at the time of issuance in the Issuance Advice Letter, such that principal payments may be made at a reduced amount for the first several payment periods. The legal maturity of the latest maturing series of Bonds will be no later than 32 years from the date of issuance.
- viii. The Bonds will be issued pursuant to enacted legislation (i.e., Article 5.8) that is satisfactory to PG&E and the Commission.

2. After applying the Stress Test Methodology, at least \$7.5 billion of PG&E's Catastrophic Wildfire Amounts are eligible for recovery through the issuance of Recovery Bonds.

3. Catastrophic Wildfire Amounts were initially partially financed with \$6 billion in temporary utility debt before issuance of the Recovery Bonds. In I.19-09-016, PG&E requested authority to issue the \$6 billion in temporary utility debt either as long-term debt or short-term debt under Sections 817, 818 and 823. In D.20-05-053, the Commission approved PG&E's Plan, which went effective on July 1, 2020, including the issuance of \$6 billion in temporary utility debt. As a result of this securitization transaction, PG&E will retire this temporary utility debt.

4. The purpose of issuing the Recovery Bonds is to pay or reimburse PG&E for the payment of Catastrophic Wildfire Amounts and to support PG&E's path to an investment-grade issuer credit rating. The Recovery Bonds will allow PG&E to retire the temporary utility debt that helped enable PG&E to reorganize and emerge from bankruptcy, and facilitate and accelerate the payment of \$1.35 billion to the Fire Victim Trust.

5. Section 850.1(a)(1)(A) directs the Commission to determine that (i) the Recovery Costs identified by PG&E in its application A.[] to be paid or reimbursed from the Recovery Bonds be allocated to ratepayers pursuant to subdivision (c) of Section 451.2 and (ii) the issuance of the Recovery Bonds and the imposition and collection of Fixed Recovery Charges (A) are just and reasonable, (B) are consistent with the public interest and (C) will reduce, to the maximum extent possible, the rates on a present value basis that Consumers within PG&E's Service Territory would pay as compared to the use of traditional utility financing mechanisms. Calculated using a discount rate of 7.34 percent, the present value of these Consumer benefits is approximately \$4.2 billion. Furthermore, PG&E has agreed to contribute the Initial Shareholder Contribution and Additional Shareholder Contributions to the Customer Credit Trust to pay the Customer Credit. The Initial Shareholder Contribution, Additional Shareholder Contributions and Customer Credit Trust Returns are designed to equal the Fixed Recovery Charges paid by Consumers.

6. The cost of the Recovery Bonds authorized by this Financing Order might be reduced if PG&E is able to attract a broad range of investors by dividing each series of Bonds into several tranches with different legal maturity dates.

7. To enhance the credit quality of the Recovery Bonds, PG&E requests that, in the event of a default by PG&E, as servicer, in remitting the Fixed Recovery Charge revenues to a SPE, the Commission, upon application by the Bond Trustee, order the sequestration and payment to the Bond Trustee for the benefit of the SPE of revenues arising with respect to Recovery Property.

8. PG&E requests authority for the SPE to provide credit enhancement in the form of overcollateralization, if required by the rating agencies to achieve the highest possible credit rating for the Recovery Bonds.

9. PG&E estimates total Bond Issuance Costs for one issuance to be between \$36 and \$57 million, including estimated costs of the Commission. Actual costs for each issuance shall be included in the Issuance Advice Letter for the relevant series.

10. PG&E represents that an equity contribution (i.e., credit enhancement) of at least 0.50 percent of the initial principal amount of each series of Bonds is required in order to assure that the Recovery Bonds will be treated as debt of PG&E for tax purposes.

11. It is important to review Bond Issuance Costs because Section 850.1(e) limits the Commission's authority to adjust, after-the-fact, any Bond Issuance Costs that are unjust or unreasonable.

12. PG&E requests authority to use net Bond proceeds to pay or reimburse PG&E for the payment of Catastrophic Wildfire Amounts.

13. Each SPE, not PG&E, will "issue any bond, note, lien, guarantee, or indebtedness of any kind pledging the utility assets or credit for or on behalf of any subsidiary or affiliate" under Section 701.5. Furthermore, the Customer Credit and the Customer Credit Trust are for the benefit of Consumers, not for or on behalf of any subsidiary or affiliate.

14. PG&E proposes to recover the following costs via the Fixed Recovery Charges: credit enhancements, if required, interest rate swaps, servicing fees, administration fees, Bond Trustee fees, any taxes imposed on, or as a result, of the Fixed Recovery Charges and other Financing Costs.

15. PG&E proposes to collect any FRTAs that are needed to recover any federal and State of California income and franchise taxes associated with the Fixed Recovery Charges but not approved as Financing Costs to be financed from the proceeds of the Recovery Bonds.

16. The True-Up Mechanism adopted by this Financing Order will allow PG&E to make timely adjustments to the Fixed Recovery Charges to account for variations in actual Fixed Recovery Charge revenues from those originally forecast and, if necessary, to collect and adjust FRTAs.

17. The Recovery Bonds will be issued using an offering through a negotiated sale with underwriters because of the complex nature of the highly structured transaction and to minimize interest costs.

18. In its capacity as servicer, PG&E will be responsible for (i) reading customer meters, (ii) submitting true-up adjustments, (iii) billing and collecting the Fixed Recovery Charges, and (iv) remitting the Fixed Recovery Charge revenues to the Bond Trustee.

19. It is reasonable for the Bond Trustee to pay an annual servicing fee charged by PG&E an amount of 0.05 percent of the initial principal amount of each series of Bonds. Furthermore, it is reasonable for the Bond Trustee to pay a servicing fee at a level sufficient to induce another entity to take over the servicing function from PG&E should this become necessary. The annual servicing fees charged by an unaffiliated third-party servicers shall be no greater than 0.60 percent of the initial principal amount of the Bonds.

20. It is reasonable to for the Bond Trustee to pay an administration fee of \$100,000 per annum by PG&E for each series of Recovery Bonds.

21. The credit quality and expertise in performing servicing functions will be important considerations when approving the appointment of a successor servicer to ensure the credit ratings for the Recovery Bonds are maintained.

22. It is possible that ESPs or other entities will bill and collect the Fixed Recovery Charges and any FRTAs from some Consumers.

23. The Fixed Recovery Charges and any FRTAs will be nonbypassable and payable by all existing and future Consumers in PG&E's Service Territory, except for those Consumers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs.

24. Except in the case of municipalization, consumers that no longer take transmission and distribution retail service from PG&E after the date of this Financing Order, or that meet relevant criteria in the applicable tariff, shall be treated as departing load (DL) Consumers using applicable tariffs for DL Consumers, including E-DCG, and will be subject to pay the Fixed Recovery Charges and any FRTAs and entitled to receive the Customer Credit. DL Consumers shall pay the Fixed Recovery Charges and any FRTAs (and be eligible to receive the associated Customer Credit) based on one of the following: (i) the last 12 months of the Consumer's recorded pre-departure use; (ii) an average derived from the last three years of recorded use; or (iii) actual use. In the event that residents of a municipality no longer take transmission and distribution retail service, new municipal DL Consumers would pay the Fixed Recovery Charges and any FRTAs¹⁸ based on one of the following: (i) the last 12 months of the Consumer's recorded pre-departure use; or (2) actual use.

¹⁸ The determination of the Customer Credit applicable to new municipal DL Consumers, however, will be determined by the Commission in a future proceeding, if any, regarding municipalization.

25. If a third-party meters and bills for the Fixed Recovery Charges, PG&E needs access to information on kWh billing and usage by Consumers to provide for proper reporting to the SPE and to perform its obligations as servicer.

26. If electric Consumers in PG&E's Service Territory fail to pay their utility bills in full, any shortfall in revenues must be allocated pro rata among the Fixed Recovery Charges, FRTAs and other charges to avoid PG&E favoring its own interests.

27. PG&E anticipates that the Bond Trustee's collection account will have at least two subaccounts: (i) the capital subaccount to hold equity contributed by PG&E and (ii) the excess funds subaccount to hold funds in excess of amounts needed on the Bond payment date to pay debt service and other ongoing Financing Costs.

28. In accordance with Section 850.1(i), Fixed Recovery Charges and FRTAs shall not be imposed upon Consumers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs.

29. In recent years the Commission has authorized utilities to report the information required by GO 24-C.

30. In order to pay the Customer Credit, PG&E will establish the Customer Credit Trust funded with the Initial Shareholder Contribution, the Additional Shareholder Contributions using the Shareholder Tax Benefits and Customer Credit Trust Returns.

31. PG&E proposed to establish the Customer Credit Trust in the form of a grantor trust shortly after the Commission's approval of this Financing Order. The Customer Credit Trust will have the limited purpose of holding and preserving the Trust Corpus and managing the investment thereof in order to fund the Customer Credit. The Customer Credit Trust will be authorized to make interim distributions only to (i) reimburse PG&E for the cost of the Customer

Credit and (ii) reimburse PG&E in order to pay the fees and expenses of the Trust, including any tax liabilities incurred in respect of the Customer Credit Trust Returns, as described in the Trust Agreement. As long as the Recovery Bonds are outstanding, PG&E will not be authorized to withdraw funds from the Customer Credit Trust for any other purpose, unless the Commission otherwise directs.

32. The Customer Credit Trust will be the sole source of funds to pay the Customer Credit.

33. If assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the Fixed Recovery Charges for a period of time, the future Customer Credit Trust balance will first be used (up to the amount of the balance) to make up any previous shortfalls in Customer Credits, including the amount of any FRTA charged on the shortfall. In addition, once the Recovery Bonds are repaid and all Financing Costs have been paid in full and the Fixed Recovery Charges cease, the Customer Credit Trust will be terminated and the assets liquidated. Consumers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of the Customer Credit Trust expenses, including computed taxes.

Conclusions of Law

1. The Catastrophic Wildfire Amounts have been determined and allocated to Consumers in PG&E's Service Territory pursuant to subdivision (c) of Section 451.2, and therefore are Recovery Costs pursuant to Section 850(b)(10).

2. For purposes of Section 850(b)(11), the Recovery Property will be established by this Financing Order, and pursuant to Section 850.1(h), such Recovery Property shall be created simultaneously with the sale of such Recovery Property to the SPE. For the purposes of Section 850.2(d), the Recovery Property will continue to exist until the date on which all Recovery Bonds and Financing Costs are paid in full.

3. Although the Bonds will be issued by an SPE, and not by PG&E, each SPE will be a wholly-owned separate subsidiary of PG&E that will be established for the purpose of carrying out this Financing Order.

4. The SPEs responsible for issuing the Recovery Bonds are exempt from the new affiliate requirements established in D.20-05-053.

5. The Recovery Bonds and the imposition and collection of Fixed Recovery Charges and any FRTAs proposed by PG&E in A.[] satisfy all the conditions established by Article 5.8.

6. Because issuance of the Recovery Bonds will provide substantial benefits to PG&E's Consumers, the issuance of the Recovery Bonds and the imposition and collection of Fixed Recovery Charges is just and reasonable and consistent with the public interest, so the SPE should be authorized to issue the Bonds.

7. By structuring the offering of Recovery Bonds to be a "Qualifying Securitization" under IRS Revenue Procedure 2005-62, PG&E is not required by this Financing Order to obtain a ruling from the IRS. PG&E expects this offering of Recovery Bonds to be a "Qualifying Securitization."

8. The Recovery Bonds authorized by this Financing Order do not: (i) constitute a debt or liability of the State of California or any political subdivision thereof; (ii) constitute a pledge of the full faith and credit of the State or any political subdivision; or (iii) directly, indirectly, or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation to pay any obligations associated with the Recovery Bonds or to make any appropriations for their payment.

9. All Recovery Bonds should contain a legend to the following effect: “Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, this bond.”

10. If appropriate, each series of Recovery Bonds should be divided into several tranches with different legal maturity dates, with the final number, type, and size of Bond tranches selected to reduce, to the maximum extent possible, the rates on a present value basis that PG&E Consumers will pay compared to traditional utility financing mechanisms.

11. The Recovery Bonds do not require the Commission’s approval pursuant to Section 701.5 because PG&E will not “issue any bond, note, lien, guarantee, or indebtedness of any kind pledging the utility assets or credit for or on behalf of any subsidiary or affiliate” under that provision and because the Customer Credit, and Customer Credit Trust are for the benefit of Consumers, not for or on behalf of any subsidiary or affiliate.

12. The Recovery Bonds also do not require approval pursuant to Sections 817 and 818 since the SPE, not PG&E as a public utility, will be the issuer. Even if Section 817 and 818 were to apply, issuance of the Recovery Bonds is consistent with those provisions.

13. The Recovery Bonds will be used to pay or reimburse PG&E for the payment of the Catastrophic Wildfire Amounts. PG&E is incurring this obligation in order to emerge from Chapter 11 and plans to finance this payment partially with \$6 billion in temporary utility debt until the issuance of Recovery Bonds. Accordingly, the Recovery Bonds approved by this Financing Order comply with Section 817(d), (f), (g) and (h), to the extent those provisions apply.

14. The Bond transaction complies with Section 818, to the extent that provision applies, because the purpose of issuing the Recovery Bonds is to finance Catastrophic Wildfire

Amounts and to support PG&E's path to an investment-grade issuer credit rating. This purpose is in the public interest and not reasonably chargeable to operating expenses or income.

15. Since PG&E will retire its temporary utility debt as a result of issuing the Recovery Bonds, to the extent the temporary utility debt constitutes short-term debt within the meaning of Section 823(d), PG&E should be authorized to refund that debt in connection with the issuance of the Recovery Bonds pursuant to Section 823(d).

16. The scheduled final payment date of the latest maturing tranche of any series shall be no later than 30 years after the date of issuance and the legal maturity of latest maturing tranche of any series of Bonds should be no later than 32 years after the date of issuance.

17. The Recovery Bonds should have fixed or floating interest rates as determined at the time of issuance to provide a lower all-in cost for the Bonds. Any floating rate should be converted to a synthetic fixed rate with interest-rate swaps so Consumers do not have any significant floating-rate risk. The interest costs recovered via the Fixed Recovery Charges should be based on the synthetic fixed rate so long as the interest-rate swap remains in effect.

18. Floating-rate Bonds should be issued only if the all-in cost of the Bonds, including the cost of creating a synthetic fixed rate, is less than what would have been available had these Bonds been issued with comparable maturities in the fixed-rate market.

19. Any interest rate-swaps should be subject to the conditions described in the body of this Financing Order.

20. The Commission should have full access to the books and records of the SPE. PG&E should not make any profit from the SPE, except for an authorized return on PG&E's capital contribution to the SPE.

21. The Commission shall also oversee the Customer Credit Trust and the Customer Credit to Consumers in the amount equal to the Fixed Recovery Charges provided, however, in the event PG&E fails to pay the Customer Credit, the Commission shall not, either by rescinding, altering, or amending this Financing Order or otherwise, revalue or revise for ratemaking purposes the Recovery Costs or the costs of recovery, financing, or refinancing the Recovery Costs or in any way reduce or impair the value of the Recovery Property either directly or indirectly by taking Fixed Recovery Charges into account when setting other rates for PG&E.

22. PG&E's obligations and commitments under this Financing Order, and PG&E's ability to pay the Customer Credit and PG&E's ability to provide the Initial Shareholder Contribution or Additional Shareholder Contributions to the Customer Credit Trust, shall neither (i) impair the characterization of the sale, assignment, or transfer of the Recovery Property as an absolute transfer and true sale nor (ii) impair each SPE's status as an entity that is separate from PG&E and PG&E Corporation nor (iii) limit or alter the Fixed Recovery Charges, the Recovery Property, this Financing Order, or any rights under this Financing Order. PG&E's failure to pay the Customer Credit also shall not impair the characterization of the sale, assignment or transfer of the Recovery Property to the SPE as an absolute transfer and true sale or affect or impair the SPE's ownership of the Recovery Property or the SPE's separateness from PG&E and PG&E Corporation.

23. The Customer Credit will be funded out of a segregated account held by the Customer Credit Trust. PG&E will establish the Customer Credit Trust in the form of a grantor trust pursuant to the Trust Agreement.

24. The Customer Credit Trust will have a limited purpose to hold and preserve the Trust Corpus, and manage the investment thereof and of the Customer Credit Trust Returns, all

in order to fund the Customer Credit. The Customer Credit Trust will not function as a business trust with authority to carry out general business activities.

25. The Customer Credit Trust will be authorized to make interim distributions only to (i) reimburse PG&E for the cost of the Customer Credit and (ii) reimburse PG&E in order to pay the fees and expenses of the Trust, including any tax liabilities incurred in respect of the Customer Credit Trust Returns, as described the Trust Agreement. While the Recovery Bonds are outstanding, PG&E cannot withdraw funds from the Customer Credit Trust for any other purpose.

26. Upon the issuance of the Recovery Bonds, PG&E should contribute equity to the SPE, as necessary, for tax purposes and to satisfy the conditions established by the credit rating agencies; provided, however, that PG&E has no obligation to pay the amounts owed by the SPE on the Recovery Bonds or to make any additional equity contributions to the SPE to facilitate the SPE's repayment of the Recovery Bonds.

27. PG&E should sell the Recovery Property identified in the Issuance Advice Letter to the SPE identified in such Issuance Advice Letter. The SPE identified in the Issuance Advice Letter will constitute a Financing Entity for all purposes of Article 5.8.

28. Once Recovery Property is established by this Financing Order, it should not be adjusted in response to protests, the failure to pay the Customer Credit or the failure of PG&E to make the Initial Shareholder Contribution or Additional Shareholder Contributions to the Customer Credit Trust as mandated by this Financing Order. Any mathematical errors or other errors or irregularities regarding the amount of established Recovery Property should be corrected in a subsequent filing of a Routine True-Up Mechanism Advice Letter.

29. The Recovery Bonds should be secured by the Recovery Property, SPE equity held by the Bond Trustee, and other Bond Collateral held by the Bond Trustee.

30. The SPE should transfer the Bond proceeds (net of estimated Bond Issuance Costs) to PG&E to purchase the Recovery Property.

31. The following will occur or exist as a matter of law upon the sale by PG&E of Recovery Property to the SPE: (i) the SPE will have all of the rights originally held by PG&E with respect to the Recovery Property, including the right to exercise any and all rights and remedies to collect any amounts payable by any Consumer in respect of the Recovery Property, including the Fixed Recovery Charges, and to obtain true-up adjustments to the Fixed Recovery Charges pursuant to the True-Up Mechanism, notwithstanding any objection or direction to the contrary by PG&E; (ii) any payment by any Consumer of owed Fixed Recovery Charges will discharge such Consumer's obligations in respect of the Recovery Property to the extent of such payment, notwithstanding any objection or direction to the contrary by PG&E; and (iii) PG&E will not be entitled to recover the Fixed Recovery Charge associated with the Recovery Property other than for the benefit of the SPE or of holders of the associated Recovery Bonds in accordance with PG&E's duties as servicer with respect to such Bonds.

32. The SPE, as the owner of the Recovery Property, may pledge the Recovery Property as collateral to one or more indenture trustees to secure payments of principal, interest, servicing and administration expenses, credit enhancements, interest rate swap agreements, and other amounts payable under an indenture pursuant to which Recovery Bonds are issued. A separate and distinct statutory lien described in Section 850.3(g) shall exist on the Recovery Property then existing or thereafter arising that is described in an Issuance Advice Letter and shall secure all obligations, then existing or subsequently arising, to the holders of the Bonds

described in such Issuance Advice Letter and the indenture trustee for such holders. There shall be no statutory liens of the type described in Section 850.3(g) except as provided in this Conclusion of Law (“COL”).

33. To ensure that each SPE is legally separate and bankruptcy remote from PG&E, the SPE should be authorized to: (i) include one or more independent members on its board of directors in the case of a corporation or a limited liability company, or an independent trustee in the case of a trust; (ii) have restrictions on its ability to declare bankruptcy or to engage in corporate reorganizations; and (iii) limit its activities to those related to acquiring and owning the Recovery Property and issuing and servicing the Recovery Bonds.

34. In the event of a default by PG&E in remitting the Fixed Recovery Charge revenues to the SPE, the Commission may order the sequestration and payment to the Bond Trustee for the benefit of the SPE of revenues arising from the Recovery Property.

35. In the event of a default by PG&E in remitting the Fixed Recovery Charge revenues to the SPE, the following parties may petition the Commission to implement the remedy described in the previous COL: (i) the holders of the Recovery Bonds and the Bond Trustees or representatives thereof as beneficiaries of any statutory or other lien permitted by the Public Utilities Code; (ii) the SPE or its assignees; and (iii) pledgees or transferees, including transferees under Section 850.4, of the Recovery Property.

36. The SPE should be authorized to provide credit enhancements for the Recovery Bonds in addition to the True-Up Mechanism, but only if such credit enhancements are required by the rating agencies to receive the highest investment-grade rating or the all-in cost of the Bonds with the credit enhancements is less than without the credit enhancements.

37. Any revenue for credit enhancements that is collected as part of the Fixed Recovery Charge, in excess of total debt service and other Financing Costs, should be the property of the SPE. After the Recovery Bonds are repaid, all amounts in the collection account, including each subaccount other than the capital subaccount, should be returned to Consumers responsible for paying the Fixed Recovery Charges.

38. Total Bond Issuance Costs for one issuance are estimated to range from \$36 to \$57 million, including estimated costs associated with the Commission. Actual costs for each issuance shall be included in the Issuance Advice Letter for the relevant series.

39. The Bond Issuance Costs, including, *inter alia*, underwriters' fees and expenses, rating agency fees, Section 1904 fees, accounting fees and expenses, SEC registration fees, printing/edgarizing expenses, legal fees and expenses, Bond Trustee's fees and expenses, original issue discount, costs of the Commission, and other Bond issuance costs, are "financing costs" as defined in Section 850(b)(4) and should be treated as Recovery Costs for purposes of Section 850(b)(10).

40. When an SPE issues a series of Recovery Bonds, the SPE should include the Bond Issuance Costs in the Issuance Advice Letter.

41. PG&E should be authorized to use the proceeds from its sale of the Recovery Property to the SPE to pay or reimburse itself for the payment of Catastrophic Wildfire Amounts.

42. To ensure that PG&E and each SPE structure the Bond transaction for each series of Bonds in a reasonable manner, the Bond transaction for each series of Bonds should be reviewed by the Commission upon the filing of the Issuance Advice Letter for compliance with Article 5.8 and this Financing Order.

43. PG&E should be authorized pursuant to Article 5.8 to bill and collect Fixed Recovery Charges that are designed to recover the following Recovery Costs: (i) Bond principal and interest; (ii) allowance for uncollectibles; (iii) costs for credit enhancements to the extent required by the rating agencies; (iv) servicing and administration fees; (v) Bond Trustee fees; (vi) taxes, if any, imposed on, or resulting from, the Fixed Recovery Charges; (vii) other Financing Costs; and (viii) replenishment of the capital subaccount that is used to pay for any previously listed items.

44. PG&E should establish a separate Fixed Recovery Charge and separate FRTAs for each Bond series.

45. The Fixed Recovery Charge revenues for each series of Bonds should be transferred to the Bond Trustee for the benefit of the SPE. The Bond Trustee should apply the Fixed Recovery Charge revenues only for the purposes identified in COL 43.

46. To implement the Fixed Recovery Charges and any FRTAs for each series of Recovery Bonds, PG&E should file an Issuance Advice Letter based on the *pro forma* example contained in Attachment 2 of this Financing Order not later than one business day after that series is priced. The Commission's review of each Issuance Advice Letter shall be limited to the arithmetic accuracy of the calculations and compliance with (i) Article 5.8, (ii) this Financing Order and (iii) the requirements of the Issuance Advice Letter. The Issuance Advice Letter for each Bond series should use the cash flow model described in Attachment 1 of this Financing Order, applied to that series of Recovery Bonds, along with the most recent PG&E sales forecast, to develop the initial Fixed Recovery Charges and any FRTAs for that series of Recovery Bonds.

47. The initial Fixed Recovery Charges, any FRTAs and final terms of the series of Recovery Bonds set forth in the Issuance Advice Letter shall automatically become effective at

noon on the fourth business day after pricing unless before noon on the fourth business day after pricing the Commission issues an order finding that the proposed issuance does not comply with the requirements set forth in COL 43. Once established, the Fixed Recovery Charge will constitute Fixed Recovery Charges subject to Section 850.1(e).

48. No later than 10 days after this Financing Order is mailed, PG&E should file a Fixed Recovery Charge tariff based on the *pro forma* example in Appendix A of Chapter 8 of A.[]. The Fixed Recovery Charge tariff should be effective simultaneously with the effective date of the Fixed Recovery Charge and FRTA, if any, specified in the first Issuance Advice Letter. The Fixed Recovery Charge tariff should be updated to reflect any additional issuances of Recovery Bonds in the Issuance Advice Letter for such series of Recovery Bonds.

49. Each Issuance Advice Letter should identify the “Recovery Property,” as that term is defined by Sections 850(b)(11) and 850.2(d), that is subject to the Issuance Advice Letter.

50. In accordance with Section 850.1(h), Recovery Property established by this Financing Order and identified in the Issuance Advice Letter shall be created simultaneously with the sale of such Recovery Property to the SPE and will constitute a current property right and will thereafter continuously exist as property for all purposes.

51. The owners of Recovery Property will be entitled to recover Fixed Recovery Charge revenues in the aggregate amount equal to the principal amount of the associated series of Recovery Bonds, all interest thereon, any credit enhancements, and all other ongoing Financing Costs in respect of the scheduled payment of the associated series of Recovery Bonds, as well as other amounts payable under any interest rate swap agreement or the indenture pursuant to which the associated series of Recovery Bonds is issued.

52. The transfer of the Recovery Property by PG&E to the SPE in accordance with Section 850.4 shall be treated as an absolute transfer of all of PG&E's right, title, and interest, as in a true sale, and not as a pledge or other financing, of the Recovery Property, other than for federal income tax and state income and franchise tax purposes.

53. The characterization of the sale, assignment, or transfer of the Recovery Property as an absolute transfer and true sale and the corresponding characterization of the property interest of the SPE shall not be affected or impaired by, among other things: (i) the Customer Credit or PG&E's ability to pay the Customer Credit, or PG&E's ability to provide the Initial Shareholder Contribution and Additional Shareholder Contributions to the Customer Credit Trust; (ii) commingling of Fixed Recovery Charge revenues with other amounts; (iii) the retention by the PG&E of either of the following: (a) a partial or residual interest, including an equity interest, in the SPE or the Recovery Property, whether direct or indirect, subordinate or otherwise or (b) the right to Recovery Costs associated with taxes, franchise fees, or license fees imposed on the collection of Fixed Recovery Charges; (iv) any recourse the SPE may have against PG&E; (v) any indemnification rights, obligations, or repurchase rights made or provided by PG&E; (vi) the obligation of PG&E to collect Fixed Recovery Charges, as servicers, on behalf of the SPE; (vii) the treatment of the sale, assignment or transfer of Recovery Property for tax, financial reporting, or other purposes, or (viii) the True-Up Mechanism as provided in this Financing Order.

54. Sections 850.1(e) and 850.1(g) require the Commission to adjust the Fixed Recovery Charge at least annually, and more often if necessary, to ensure timely recovery of the amounts identified in COL 43. The Commission's authority under Article 5.8 and pursuant to Section 850.1(g) to authorize periodic true-up adjustments persists until the Recovery Bonds and

all other Financing Costs are fully paid and discharged, and does not expire like the Commission's authority to issue financing orders in the first instance under Section 850.6. It is appropriate for PG&E to file True-Up Mechanism Advice Letters and use an advice letter process to implement the periodic true-up adjustment. The annual Routine True-Up Mechanism Advice Letters shall also address any FRTAs.

55. Any default under the documents relating to the Recovery Bonds will entitle the holders of Recovery Bonds, or the Bond Trustees or representatives for such holders, to exercise the rights or remedies such holders or such Bond Trustees or representatives therefore may have pursuant to any statutory or other lien on the Recovery Property.

56. The advice letters filed as part of the True-up Mechanism to adjust the Fixed Recovery Charges, as described in the body of this Financing Order, constitute "application[s] . . . to implement a true-up adjustment" pursuant to Section 850.1(g). This mechanism will adjust the Fixed Recovery Charges annually, and semi-annually or more frequently, if necessary, to ensure that the Fixed Recovery Charges provide sufficient revenues to pay in a timely manner all the amounts identified in COL 42.

57. The adjustments to the Fixed Recovery Charges and any FRTAs in annual Routine True-Up Mechanism Advice Letters, semi-annual Routine True-Up Mechanism Advice Letters and more frequent interim Routine True-Up Mechanism Advice Letters shall go into effect automatically the later of: (i) 15 days after the advice letter is filed, or (ii) the first day of first calendar month after the advice letter is filed. These advice letters shall be based on the *pro forma* example contained in Attachment 3 of this Financing Order.

58. The Routine True-Up Mechanism Advice Letters shall calculate a revised Fixed Recovery Charge using (i) the cash flow model in described in Attachment 1 of this Financing

Order, modified as described in the body of this Financing Order, and (ii) the adjustments to the cash flow model listed in the body of this Financing Order.

59. PG&E shall be allowed to file Non-Routine True-Up Mechanism Advice Letters based on the *pro forma* example contained in Attachment 4 of this Financing Order to revise the cash flow model described in Attachment 1 of this Financing Order, as modified in the body of this Financing Order, to meet scheduled payments of Bond principal, interest, and other Financing Costs. Absent a Commission resolution modifying or rejecting proposed changes to the cash flow model, PG&E or a successor servicer may implement Fixed Recovery Charge adjustments proposed in a Non-Routine True-Up Mechanism Advice Letter on the effective date identified in the Non-Routine True-Up Mechanism Advice Letter.

60. PG&E's proposed mechanisms for establishing and adjusting the Fixed Recovery Charges are reasonable, including the *pro forma* Issuance Advice Letters, True-Up Mechanism Advice Letters, and tariffs in A.[].

61. PG&E's proposed mechanisms for adjusting the Customer Credit are reasonable, including the filing of Tier 1 advice letters.

62. The Commission determines that PG&E's contribution of Shareholder Tax Benefits associated with the Catastrophic Wildfire Amounts included in Recovery Costs to the Customer Credit Trust to fund the Customer Credit satisfies the requirements of Section 850.7.

63. The Fixed Recovery Charges and FRTAs should be: (i) nonbypassable, (ii) set on an equal cents per kWh basis and (iii) recovered from all existing and future Consumers in PG&E's Service Territory except for those Consumers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs pursuant to Section 850.1(i).

64. PG&E's proposal to combine all Fixed Recovery Charges and Customer Credits into single line items identified on Consumers' monthly bills titled "Fixed Recovery Charge" and "Customer Credit" respectively, as further described in Ordering Paragraph ("OP") 41, is consistent with the requirement of Section 850.1(g) that the Fixed Recovery Charge "appear on the Consumer bills", and should be approved.

65. DL Consumers, other than new municipal DL Consumers, shall be obligated to pay Fixed Recovery Charges and any FRTAs using applicable language under existing tariffs and entitled to receive the Customer Credit. In the event that residents of a municipality no longer take transmission and distribution retail service, new municipal DL Consumers would pay the Fixed Recovery Charges and any FRTAs based on one of the following: (i) the last 12 months of the Consumer's recorded pre-departure use; or (2) actual use. The determination of the Customer Credit applicable to such new municipal DL Consumers will be determined by the Commission in a future proceeding, if any, regarding municipalization.

66. PG&E and the SPE should account for Fixed Recovery Charges in the manner described in the body of this Financing Order.

67. PG&E should act as the initial servicer for Fixed Recovery Charge on behalf of the SPE.

68. To the extent Consumers of electricity in PG&E's Service Territory are billed by other entities, PG&E (as servicer for the Recovery Property) should bill such Consumers directly or may require these other entities to bill for the Fixed Recovery Charges and to remit the Fixed Recovery Charge revenues to PG&E on behalf of such Consumers. Such Consumers shall also be eligible to receive the Customer Credit.

69. ESPs and other entities that bill and collect the Fixed Recovery Charges and FRTAs from PG&E's Consumers should satisfy the requirements set forth in PG&E's Electric Rule 22.P., "Credit Requirements."

70. Pursuant to Sections 851 and 854, the Commission must authorize any future voluntary or involuntary change in ownership of assets from an electrical or gas corporation to a public entity.¹⁹ In the event such an ownership change affects the payment of rates to PG&E by any Consumers in PG&E's Service Territory, the Commission shall, in the course of authorization, ensure that the new asset owner either (a) continues to bill and collect Fixed Recovery Charges from Consumers and remit such collections to PG&E or a new servicer for the Recovery Bonds or (b) ensures the upfront funding of the Fixed Recovery Charges that would otherwise be paid by Consumers where Fixed Recovery Charge payment would be affected by the ownership change. The Commission's authorization on those terms will effectuate the State's pledge and agreement that the State shall not limit nor alter the Fixed Recovery Charges, Recovery Property, this Financing Order, or any rights under this Financing Order until the Recovery Bonds and Financing Costs are fully paid and discharged.²⁰

71. The Bond Trustee (acting on behalf of the SPE) will have a legal right to only the amount of actual Fixed Recovery Charge cash collections. As servicer, PG&E will be legally obligated to remit Fixed Recovery Charge revenues, on behalf of the SPE, to the Bond Trustee. PG&E should remit the Fixed Recovery Charge revenues in accordance with the procedures described in the body of this Financing Order and the following two Conclusions of Law.

¹⁹ §§ 851(a), (b)(1), 854.2(b)(1)(F).

²⁰ § 850.1(e).

72. Amounts collected by PG&E that represent partial payments of a Consumer's bill should be allocated pro rata between the Bond Trustee and PG&E based on the ratio of the amount of the Fixed Recovery Charges and any FRTAs billed to the total billed amount of other rates and charges. In the event Recovery Bonds are issued in multiple series with different SPEs, the Fixed Recovery Charges should be allocated pro rata between the Bond Trustees for each series.

73. PG&E, as servicer, is obligated to forward to the Bond Trustee (on behalf of the SPE) only Fixed Recovery Charge cash collections as described below. PG&E will remit the estimated Fixed Recovery Charge revenues to the Bond Trustee on a daily basis to avoid an adverse impact on the Recovery Bond credit ratings. Over the life of the Recovery Bonds, PG&E will prepare a monthly report for the Bond Trustee that shows the estimated Fixed Recovery Charge revenues by month over the life of the Recovery Bonds. Estimated Fixed Recovery Charge collections will be based on historic customer payment patterns. Six months after each monthly billing period, PG&E will compare actual Fixed Recovery Charge revenues to the estimated Fixed Recovery Charge revenues that have been remitted to the Bond Trustee for that month during the intervening 6-month period. The difference between the estimated Fixed Recovery Charge collections and the actual Fixed Recovery Charge collection will be netted against the following month's remittance to the Bond Trustee. The 6-month lag between the first remittance of estimated Fixed Recovery Charge revenues and the final determination of actual Fixed Recovery Charge cash collections allows for the collection process to take its course and is consistent with PG&E's practice of waiting six months after the initial billing before writing off unpaid customer bills.

74. The Bond Trustee should hold all Fixed Recovery Charge collections received from PG&E in a collection account. The Bond Trustee should use the funds held in the collection account to pay the following on a timely basis: (i) Bond principal and interest; (ii) costs for credit enhancements to the extent required by the rating agencies; (iii) servicing fees and administration fees; (iv) Bond Trustee fees; and (v) other Financing Costs.

75. The Bond Trustee should invest all funds held in the collection account in investment-grade short-term securities that mature on or before the next Bond payment date. Investment earnings should be retained in the collection account to pay debt service and other Financing Costs.

76. If funds, other than investment earnings from amounts held in the capital subaccount, remain in the collection account after distributions are made on a Bond payment date, they should be credited to the excess funds subaccount. All subaccount funds should be available to pay debt service or other Financing Costs. At the time of the filing of the next Routine True-Up Mechanism Advice Letter, the excess funds subaccount balance should be used to offset the revenue requirement for the Fixed Recovery Charges, including but not limited to replenishing the balance of the capital subaccount if necessary.

77. After principal, interest and other Financing Costs have been paid for a specific payment period, investment earnings in the capital subaccount earned during such payment period to the extent not needed to pay such amounts, should be paid by the Bond Trustee to the SPE. Upon payment of the full principal amount of all Recovery Bonds and the discharge of all obligations that may be paid by use of Fixed Recovery Charges, the Bond Trustee is authorized to release all amounts in the capital subaccount, including any investment earnings, to the SPE for payment to PG&E.

78. PG&E should be authorized to charge an annual servicing fee of 0.05 percent of the initial Bond principal amount, a level estimated to cover the servicer's out-of-pocket costs and expenses in servicing the Recovery Bonds. PG&E should be authorized to charge an annual administration fee of \$100,000 per series. If there are insufficient funds in the Customer Credit Trust to pay the Customer Credit, PG&E should separately credit electric Consumers the amount of the servicing fee and the administration fee.

79. PG&E should not resign as servicer without prior Commission approval.

80. If PG&E fails to perform its servicing functions satisfactorily, as set forth in the Servicing Agreement, or is required to discontinue its billing and collecting functions, an alternate servicer nominated by the Bond Trustee should replace PG&E. The new servicer should bill and collect only the Fixed Recovery Charge. The fees paid to the new servicer will be deemed to be approved by the Commission by this Financing Order so long as they are not higher than 0.60 percent of the initial principal amount of the Recovery Bonds.

81. Before approving a third-party servicer, the Commission should determine that the appointment will not cause the then-current rating of any then outstanding Recovery Bonds to be withdrawn or downgraded.

82. PG&E should serve a copy of the advice letters authorized by this Financing Order on any party that requests service.

83. The Fixed Recovery Charge and any FRTAs should be imposed on all non-exempt Consumers on an equal cents per kWh basis except for residential rates which shall retain the rate relationships by tier determined by D.15-17-001.

84. Although the Bonds will be issued by the SPE, and not by PG&E, the SPE will be a wholly-owned finance subsidiary of PG&E established for the purpose of carrying out this Financing Order of the Commission.

85. PG&E should remit to the Commission's Fiscal Office the required Section 1904(b) fee of \$756,000. The SPE should reimburse PG&E for this fee as a cost of issuing the Bonds.

86. Notwithstanding Section 1708 or any other provision of law, any requirement under Article 5.8 or this Financing Order that the Commission take action with respect to the subject matter of this Financing Order is binding on the Commission, as it may be constituted from time to time, and any successor agency exercising functions similar to the Commission, and the Commission will have no authority to rescind, alter or amend that requirement in this Financing Order.

87. If assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the Fixed Recovery Charges for a period of time, the future Customer Credit Trust balance will first be used (up to the amount of the balance) to make up any previous shortfalls in Customer Credits, including the amount of any FRTA charged on the shortfall. In addition, once the Recovery Bonds are repaid and all Financing Costs have been paid in full and the Fixed Recovery Charges cease, the Customer Credit Trust will be terminated and the assets liquidated. Consumers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of the Customer Credit Trust expenses, including computed taxes.

88. This Financing Order is irrevocable to the extent specified in Section 850.1(e).

89. This Financing Order may be supplemented upon the Commission's own motion or a petition by a party to this proceeding, so long as such supplements are not inconsistent with the terms and provisions herein.

90. PG&E should be allowed to set its electric rates and charges, including any FRTAs but excluding the Fixed Recovery Charges, at levels designed to allow PG&E to recover franchise fees associated with, or imposed on the Fixed Recovery Charges, and PG&E should pay such franchise fees.

91. It is appropriate to apply GO 24-C and the Commission's Financing Rule to the Recovery Bonds.

92. PG&E should be authorized to report, on behalf of the SPE, all information required by GO 24-C and the Commission's Financing Rule regarding the Recovery Bonds.

93. Pursuant to Section 824 and GO 24-C, PG&E should maintain records that:

- (i) identify the specific Recovery Bonds issued pursuant to this Financing Order, and
- (ii) demonstrate that the proceeds from the Recovery Bonds have been used only for the purposes authorized by this Financing Order.

94. Pursuant to Section 850.1(d), this Financing Order will become effective in accordance with its terms only after PG&E provides the Commission with PG&E's written consent to all the terms and conditions of this Financing Order.

95. There is no need for an evidentiary hearing in this proceeding.

96. This Financing Order complies with the provisions of Article 5.8 of the Public Utilities Code that was enacted by SB 901, as amended by AB 1054 and AB 1513.

97. This Financing Order construes, applies, implements, and interprets the provisions of Article 5.8. Therefore, applications for rehearing and judicial review of this Financing Order

are subject to Sections 1731 and 1756. These laws provide that any application for rehearing of this Financing Order must be filed within 10 days of the final Financing Order. The Commission must issue its decision on any application for rehearing within 210 days of the filing for rehearing.

98. The following order should be effective immediately in order to comply with statutory deadlines mandated by Article 5.8.

FINANCING ORDER

IT IS ORDERED that:

1. PG&E is granted authority pursuant to Division 1, Part 1, Chapter 4, Article 5.8 of the Public Utilities Code, subject to the terms and conditions in this Financing Order, to do the following:

- i. Recover Catastrophic Wildfire Amounts and other Recovery Costs which have been determined by this Commission and allocated to ratepayers pursuant to subdivision (c) of Section 451.2 through the issuance of Recovery Bonds (referred to herein as “Recovery Bonds” or “Bonds”).
- ii. Arrange for the issuance of Recovery Bonds as defined by Section 850(b)(9). The total principal amount of the Recovery Bonds shall not exceed \$7.5 billion, and all Recovery Bonds shall be issued on or prior to December 31, 2035.
- iii. Arrange for the issuance of the Bonds through one or more Financing Entities as that term is defined by Section 850(b)(5). Each Financing Entity shall be a Special Purpose Entity (“SPE”) that is formed and wholly owned by PG&E.
- iv. Apply the Bond proceeds to recover, finance, or refinance Recovery Costs as that term is defined by Section 850(b)(10).
- v. Arrange for the recovery, via nonbypassable rates and charges, of Fixed Recovery Charges (“Fixed Recovery Charges”) as that term is defined by Section 850(b)(7) and Fixed Recovery Tax Amounts (“FRTAs”) as that term is defined by Section 850(b)(8).
- vi. Establish a grantor trust (the “Customer Credit Trust” or “Trust”) pursuant to a trust agreement (the “Trust Agreement”) to hold funds from which PG&E will provide the Customer Credit (as defined below). The Customer Credit Trust shall be funded starting in 2021 with an initial contribution of \$1.8 billion (the “Initial Shareholder Contribution”). In later years, PG&E shall fund additional shareholder contributions to the Customer Credit Trust of up to \$7.59 billion (the “Cap”) based on a formula to calculate the incremental cash generated from reducing taxes through applying shareholder-owned tax deductions or NOLs (“Shareholder Tax Benefits”). Such additional shareholder contributions shall be referred to herein as “Additional Shareholder Contributions.” To the extent the Recovery Bonds are issued in

multiple series, the amount of contributions to the Customer Credit Trust of the Initial Shareholder Contribution and Additional Shareholder Contributions, and the amount of the Cap on Shareholder Tax Benefits, shall be pro-rated to equal the same percentage as the percentage of the total \$7.5 billion of Recovery Bonds that are outstanding. The Shareholder Tax Benefits primarily arise from payments made by PG&E's shareholders related to wildfire claims settlements and contributions to the Go-Forward Wildfire Fund. The Customer Credit Trust's assets should also increase over time from investment returns ("Customer Credit Trust Returns"). PG&E will not be obligated to make any other contributions to the Customer Credit Trust.

- vii. The Customer Credit Trust will be authorized to make distributions only to (a) reimburse PG&E for the Customer Credit and (b) reimburse PG&E for any tax liabilities it incurs in respect of the Customer Credit Trust Returns. While the Recovery Bonds are outstanding, PG&E may not withdraw funds from the Customer Credit Trust for any other purpose unless the Commission otherwise directs.
- viii. Credit affected Consumers an amount equal to the Fixed Recovery Charges. Neither PG&E nor PG&E Corporation shall be obligated to make any other contributions to fund the Customer Credit Trust, and PG&E's commitment to provide or PG&E's ability to provide the Customer Credit, or PG&E's ability to provide Shareholder Tax Benefits cash flows or other amounts to the Customer Credit Trust, shall not limit or alter the Fixed Recovery Charges, the Recovery Property, the SPE's ownership of the Recovery Property, the SPE's separateness from PG&E and PG&E Corporation, this Financing Order, or any rights under this Financing Order.

2. The Bonds shall be amortized on a modified mortgage style basis to be determined at the time of issuance in the Issuance Advice Letter, such that principal payments may be made at a reduced amount for the first several payment periods. The legal maturity date of the last series of Bonds shall be no later than 32 years after the date of issuance.

3. PG&E may elect to establish one or more SPEs to issue multiple series of Recovery Bonds.

4. Any offering of Recovery Bonds shall be structured to be a "Qualifying Securitization" under IRS Revenue Procedure 2005-62.

5. The Bonds issued pursuant to this Financing Order shall contain a legend to the following effect: “Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of principal of, or interest on, this bond.”

6. In accordance with Section 850.1(h), Recovery Property established by this Financing Order and identified in the Issuance Advice Letter shall be created simultaneously with the sale of such Recovery Property to the SPE, will constitute a current property right and will thereafter continuously exist as property for all purposes.

7. The transfer of the Recovery Property by PG&E to an SPE shall be in accordance with Section 850.4, and notwithstanding PG&E’s obligation to provide the Customer Credit, shall be treated as an absolute transfer of all of PG&E’s right, title, and interest, as in a true sale, and not as a pledge or other financing, of the Recovery Property, other than for federal and state income tax and franchise tax purposes.

8. Upon the sale by PG&E of Recovery Property to the SPE, the SPE will have all of the rights originally held by PG&E with respect to the Recovery Property, including the right to exercise any and all rights and remedies to collect any amounts payable by any Consumer in respect of the Recovery Property, including the Fixed Recovery Charges, and to obtain true-up adjustments to the Fixed Recovery Charges pursuant to the True-Up Mechanism, notwithstanding any objection or direction to the contrary by PG&E.

9. Acting as initial servicer for the Recovery Property, PG&E shall recover the Fixed Recovery Charges on behalf of an SPE.

10. The owners of Recovery Property will be entitled to recover Fixed Recovery Charge revenues in the aggregate amount equal to the principal amount of the associated series of Recovery Bonds, all interest thereon, any credit enhancements, approved Financing Cost not

funded with Bond proceeds, servicing and administration fees and all other ongoing Financing Costs with respect to the scheduled payments of the associated series of Recovery Bonds, as well as other amounts payable under any interest rate swap agreement or the indenture pursuant to which the associated series of Recovery Bonds is issued.

11. The Fixed Recovery Charges and FRTAs shall be nonbypassable and recovered from existing and future Consumers, as defined in Section 850(b)(3), in PG&E's Service Territory except for Consumers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs pursuant to Section 850.1(i). The Fixed Recovery Charges and any FRTAs shall be imposed on all non-exempted Consumers on an equal cents per kWh basis.

12. Except in the case of municipalization, consumers that no longer take transmission and distribution retail service from PG&E after the date of this Financing Order, or that meet relevant criteria in the applicable tariff, shall be treated as departing load (DL) Consumers using applicable tariffs for DL Consumers, including E-DCG, and will be subject to pay the Fixed Recovery Charges and any FRTAs and entitled to receive the Customer Credit. DL Consumers shall pay the Fixed Recovery Charges and any FRTAs (and be eligible to receive the associated Customer Credit) based on one of the following: (i) the last 12 months of the Consumer's recorded pre-departure use; (ii) an average derived from the last three years of recorded use; or (iii) actual use. In the event that residents of a municipality no longer take transmission and distribution retail service, new municipal DL Consumers would pay the Fixed

Recovery Charges and any FRTAs²¹ based on one of the following: (i) the last 12 months of the Consumer's recorded pre-departure use; or (2) actual use.

13. There shall be a separate Fixed Recovery Charge and separate FRTAs for each series of Bonds.

14. To implement the Fixed Recovery Charge and any FRTAs for each series of Bonds, PG&E shall file an Issuance Advice Letter in the form, timeframe, and manner described in the body of this Financing Order. The Issuance Advice Letter and the Fixed Recovery Charges established by such Issuance Advice Letter shall become effective at noon on the fourth business day after pricing unless before noon on the fourth business day after pricing the Commission issues an order finding that the proposed issuance does not comply with the requirements set forth in this Financing Order. The SPE identified in the Issuance Advice Letter will constitute a Financing Entity for all purposes of Article 5.8.

15. Once Recovery Property is established by this Financing Order, the Recovery Property, Fixed Recovery Charges, FRTAs and other terms and conditions in the Financing Order shall not be adjusted in response to protests, the failure to provide the Customer Credit or the failure of PG&E to make contributions to the Customer Credit Trust as mandated by this Financing Order.

16. PG&E shall file a Fixed Recovery Charge tariff no later than 10 days after this Financing Order is mailed. The Fixed Recovery Charge tariff shall be based on the *pro forma* tariff contained in Appendix A of Chapter 8 of A.[]. The Fixed Recovery Charge tariff

²¹ The determination of the Customer Credit applicable to new municipal DL Consumers, however, will be determined by the Commission in a future proceeding, if any, regarding municipalization.

shall be effective simultaneously with the effective date of the Fixed Recovery Charges specified in the first Issuance Advice Letter.

17. If necessary to meet rating agency requirements or to address the timing of initial period of Fixed Recovery Charge collections, the Recovery Bonds may have an initial payment period longer or shorter than other payment periods and amortization of principal may be deferred in part in connection with the scheduled payment of debt service on each series of Recovery Bonds during the first two and one half years to three years.

18. Total Bond Issuance Costs for all Recovery Bonds are estimated to be between \$36 and 57 million.²² Estimated costs for the Commission are included in the estimate.

19. The SPE may obtain credit enhancements for the Recovery Bonds, but only if: (i) the credit enhancements are required by the rating agencies, or (ii) the all-in cost of the Bonds with the credit enhancements is expected to be less than without the credit enhancements. Any credit enhancement costs collected through the Fixed Recovery Charge, in excess of total debt service and other Recovery Costs, shall be the property of the SPE. After the Recovery Bonds are repaid, all amounts in the collection account, including each subaccount other than the capital subaccount, will be returned to Consumers through a subsequent ratemaking proceeding.

20. If required by the rating agencies to obtain the highest possible rating, an overcollateralization subaccount may be established; the overcollateralization amount for such subaccount may be an amount required by such rating agencies. The overcollateralization amount for each series of Bonds, if required by the rating agencies, shall be: (i) set forth in the

²² This estimate assumes all Recovery Bonds are issued in one series. To the extent, the Recovery Bonds are issued in multiple series, Bond Issuance Costs may be different. Final Bond Issuance Costs for each series will be included in the Issuance Advice Letter for each series.

Issuance Advice Letter for each series of Bonds, and (ii) funded in equal amounts on each Bond payment date, or in other such amounts and in such a manner as required by the rating agencies.

21. PG&E shall sell or assign all of its interest in Recovery Property arising from or constituting the Fixed Recovery Charge revenues that are the subject of this Financing Order to one or more SPEs as provided in OP 1.

22. Subject to compliance with the specific requirements of this Financing Order, including those requirements set forth in the body of this Financing Order and the accompanying Findings of Fact and Conclusions of Law, PG&E and the SPE may establish the terms and conditions of the Bonds, including repayment schedules, terms, payment dates, collateral, credit enhancement, required debt service, reserves, indices and other Financing Costs and features and costs.

23. The SPE shall transfer the Bond proceeds (net of estimated Bond Issuance Costs) to PG&E as payment of the purchase price of the Recovery Property.

24. The owner of Recovery Property shall have the right to recover principal, interest, and other Financing Costs associated with the Recovery Bonds through the Fixed Recovery Charge authorized in this Financing Order.

25. The SPE, as the owner of the Recovery Property, may pledge the Recovery Property as collateral to an indenture trustee to secure payments of principal, interest, servicing and administration expenses, credit enhancements, interest rate swap agreements, and other amounts payable under an indenture pursuant to which Recovery Bonds are issued.

26. The SPEs responsible for issuing the Recovery Bonds are exempt from the new affiliate requirements established in D.20-05-053.

27. The SPE shall: (i) include one or more independent members on its board of directors in the case of a corporation or a limited liability company, or an independent trustee in the case of a trust; (ii) have restrictions on its ability to declare bankruptcy or to engage in corporate reorganizations; and (iii) limit its activities to those related to the Recovery Bonds.

28. After PG&E has sold, assigned, or otherwise transferred its interest in Recovery Property to the SPE, PG&E shall: (i) operate its system to provide service to Consumers in its Service Territory, (ii) act as initial servicer under the transaction documents associated with the related Recovery Bonds, and (iii) as initial servicer, bill and collect amounts in respect of the Fixed Recovery Charges for the benefit and account of the SPE and account for and remit these amounts to or for the account of the SPE.

29. PG&E shall contribute equity to the SPE. The SPE equity, equal to at least 0.50 percent of the total initial Bond principal, shall be pledged to secure the Recovery Bonds and shall be deposited into a capital subaccount in the collection account held by the Bond Trustee. Upon payment of principal, interest and other Financing Costs for a particular payment period, interest earnings earned on the amounts deposited in the capital subaccount, shall be paid to the SPE. Furthermore, upon payment of the full principal amount of all Recovery Bonds and the discharge of all obligations that may be paid by use of Fixed Recovery Charges, all amounts in the capital subaccount, including any investment earnings, shall be released to the SPE for payment to PG&E.

30. The Commission shall have full access to the books and records of the SPE. PG&E shall not make any profit from the SPE, except for an authorized return on PG&E's equity investment in the SPE. If the equity capital is drawn upon, it may be replenished via the Fixed Recovery Charges.

31. Recovery Bonds will be sold in one or more negotiated offerings through one or more underwriters.

32. PG&E shall use the amounts that it derives from the net Bond proceeds to reimburse itself for Catastrophic Wildfire Amounts.

33. The Recovery Bonds do not require the Commission's approval pursuant to Sections 701.5, 817 or 818 because those provisions apply to the issuance of debt by a public utility, and the SPE, not PG&E, will issue the Recovery Bonds.

34. The Recovery Bonds approved by this Financing Order comply with Section 817(d), (f), (g) and (h) and Section 818, even if those provisions did apply.

35. PG&E is authorized pursuant to Section 823(d) to refund its temporary utility debt in connection with issuance of the Recovery Bonds.

36. PG&E shall provide the Customer Credit using funds in the Customer Credit Trust to the extent such funds are available, and other sources identified in Table 1 attached hereto as Attachment 9, to affected Consumers in an amount equal to the Fixed Recovery Charges to be paid by such Consumers, provided, however, that: (i) except with respect to PG&E's commitment to contribute the Initial Shareholder Contribution and Additional Shareholder Contributions to the Customer Credit Trust as described in OP 1, neither PG&E nor PG&E Corporation shall be obligated to make any other contributions to the Customer Credit Trust and (ii) PG&E's failure make any such contribution or to provide the Customer Credit to any Consumer shall not in any way permit the Commission to rescind, amend or alter the financing order, or otherwise, revalue or revise for ratemaking purposes the recovery costs or the costs of recovering, financing, or refinancing the recovery costs, in any way to reduce or impair the value of Recovery Property, including by either directly or indirectly by taking Fixed

Recovery Charges into account when setting other rates for PG&E. PG&E's failure to pay the Customer Credit also shall not impair the characterization of the sale, assignment or transfer of the recovery property to the SPE as an absolute transfer and true sale or affect or impair the SPE's ownership of the recovery property or the SPE's separateness from PG&E and PG&E Corporation.

37. The Customer Credit Trust shall be governed by a committee composed of five members, three of whom will be independent of PG&E. Members of the Committee would be nominated by PG&E management and confirmed by PG&E's board of directors. No more than two of the members may be employees, officers, agents or otherwise affiliated with PG&E except with respect to their service as members on the Committee. At least three members will be independent, whose nominations to the Committee will be confirmed by the Commission as well as PG&E's board of directors.

38. Without further action from the Commission, PG&E shall be permitted to make withdrawals from the Customer Credit Trust as necessary to pay the Customer Credit.

39. If assets in the Customer Credit Trust are insufficient to fund a Customer Credit equal to the Fixed Recovery Charges for a period of time, the future Customer Credit Trust balance will first be used (up to the amount of the balance) to make up any previous shortfalls in Customer Credits, including the amount of any FRTA charged on the shortfall. In addition, once the Recovery Bonds are repaid and all Financing Costs have been paid in full and the Fixed Recovery Charges cease, the Customer Credit Trust will be terminated and the assets liquidated. Consumers will receive 25 percent of any funds remaining in the Customer Credit Trust after payment of the Customer Credit Trust expenses, including computed taxes.

40. Beginning in the first month, the Fixed Recovery Charges and the Customer Credit will appear on the bill of each Consumer in the Service Territory. PG&E shall be permitted to make withdrawals from the Customer Credit Trust to reimburse itself for the Customer Credit in accordance with the terms of the Trust Agreement, and PG&E shall be entitled to net amounts with the Customer Credit Trust to determine a new withdrawal from or contribution to the Customer Credit Trust. If, however, the total amount of the Customer Credit is subsequently limited by the available balance in the Customer Credit Trust such that an adjustment to the Customer Credit is necessary, PG&E shall file a Tier 1 Advice letter at least 15 days before the beginning of the month to implement the adjustment.

41. PG&E's monthly Consumer bill shall disclose the amount of the Fixed Recovery Charges and Customer Credit, that the Fixed Recovery Charge revenues are being transferred to the SPE, that PG&E is collecting the Fixed Recovery Charges on behalf of the SPE, and that the Fixed Recovery Charges do not belong to PG&E. PG&E shall be permitted to combine all Fixed Recovery Charges and Customer Credits into single line items identified on Consumers' monthly bills titled "Fixed Recovery Charge" and "Customer Credit" respectively. The back of the monthly bill shall provide a description of the "Fixed Recovery Charge" and "Customer Credit" as set forth in the body of this Financing Order.

42. If, subsequent to the issuance of the Financing Order, PG&E receives additional insurance proceeds, tax benefits other than Shareholder Tax Benefits or other amounts or reimbursements for Catastrophic Wildfire Amounts included in the Recovery Costs addressed in this Financing Order, PG&E shall credit customers, in a manner determined at the time by the Commission, but the Commission may not adjust, amend or modify the Recovery Costs, Fixed Recovery Charges, the FRTAs, this Financing Order, the Recovery Property, or the Recovery

Bonds. In the event PG&E receives such insurance proceeds, tax benefits or other amounts related to Catastrophic Wildfire Amounts included in Recovery Costs, it shall pledge to credit Consumers for such amounts over the subsequent twelve month period and the Customer Credit shall be adjusted accordingly for that period.

43. If a Consumer makes only partial payment of a bill, PG&E and any successor servicer shall allocate amounts collected from that Consumer pro rata among the Fixed Recovery Charges, the FRTAs and other rates and charges.

44. If a PG&E Consumer fails to pay the Fixed Recovery Charge or FRTAs, PG&E may shut-off power to such Consumer in accordance with Commission-approved shut-off policies; provided, however, that temporary changes in utility shut-off procedures due to emergencies, such as the current coronavirus disease 2019 pandemic, will be permitted.

45. The True-Up Mechanism for adjusting the Fixed Recovery Charge that is described in the body of this Financing Order and the accompanying Conclusions of Law, including the use of an advice letter process, is adopted. The Commission's authority under Article 5.8 and pursuant to Section 850.1(g) to authorize periodic true-up adjustments shall persist until the Recovery Bonds and all Financing Costs are fully paid and discharged, and shall not expire like the Commission's authority to issue financing orders in the first instance under Section 850.6.

46. PG&E shall submit annual Routine True-Up Mechanism Advice Letters, semi-annual Routine True-Up Mechanism Advice Letters and more frequent, if necessary, interim Routine True-Up Mechanism Advice Letters in the form, timeframe, and manner described in the body of this Financing Order and the accompanying Conclusions of Law. The adjustments to the Fixed Recovery Charges specified in these advice letters shall go into effect automatically in

the timeframe addressed in this Financing Order and the advice letter. Annual Routine True-Up Mechanism Advice Letters shall also address any FRTAs.

47. PG&E shall submit Non-Routine True-Up Mechanism Advice Letter filings to propose revisions to the logic, structure, or components of the cash flow model described in Attachment 1 of this Financing Order as modified in the body of this Financing Order. Absent a Commission resolution modifying or rejecting proposed changes to the cash flow model, PG&E or a successor servicer may implement Fixed Recovery Charge adjustments proposed in a Non-Routine True-Up Mechanism Advice Letter on the effective date identified in the advice letter. The submission or approval of any Non-Routine True-Up Mechanism Advice Letter shall not affect or alter the finality or irrevocably of this Financing Order, or of any Fixed Recovery Charges approved hereunder.

48. All true-up adjustments to the Fixed Recovery Charge shall ensure the billing of Fixed Recovery Charges necessary to correct for any overcollection or undercollection of the Fixed Recovery Charges authorized by this Financing Order and to otherwise ensure the timely provision for all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, all amounts payable to any swap counterparty in connection with the related series of Bonds, and any other amounts due in connection with the related series of Bonds (including ongoing fees and expenses and amounts required to be deposited in or allocated to any collection account or subaccount) during the current or next succeeding payment period. Such amounts are referred to as the Periodic Payment Requirement. True-up filings shall be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of Fixed Recovery Charge collections remitted to the Bond Trustee for the series of Bonds.

49. When PG&E files annual Routine True-Up Mechanism Advice Letters to adjust the Fixed Recovery Charges and any FRTAs, PG&E will also file Tier 1 Advice Letters to adjust the Customer Credit to equal the adjusted Fixed Recovery Charges. PG&E shall file annual Tier 1 Advice Letters at least 15 days before the last day of February until all Recovery Bonds and other ongoing Financing Costs have been paid in full and the Fixed Recovery Charges cease and the revised Customer Credits in the annual Tier 1 Advice Letters (assuming timely filing by PG&E with the Commission) shall go into effect automatically on March 1st immediately following the filing.

50. If PG&E files an interim Routine True-Up Mechanism Advice Letter to adjust the Fixed Recovery Charges, PG&E will also file a Tier 1 Advice Letter to adjust the Customer Credit to equal the adjusted Fixed Recovery Charges. In the case of a semi-annual interim Routine True-Up Mechanism Advice Letter, PG&E shall file an interim Tier 1 Advice Letter at least 15 days before August 31st to adjust the Customer Credit, and the revised Customer Credit would go into effect automatically on September 1st immediately following the filing. In the case of any other interim Routine True-Up Mechanism Advice Letter, PG&E will file an interim Tier 1 Advice Letter at least 15 days before the end of a calendar month, and the revised Customer Credit would be effective automatically on the 1st day of the following calendar month.

51. The Tier 1 Advice Letters described in OPs 49 and 50 of this Financing Order shall be ministerial, and will go into effect automatically on the dates described therein.

52. If PG&E submits a Non-Routine True-Up Mechanism Advice Letter to adjust the Fixed Recovery Charges, PG&E will also file a Tier 1 Advice Letter to adjust the Customer Credit. A non-routine Tier 1 Advice Letter shall be filed at least 90 days before the date when

the proposed changes would become effective, with the resulting changes effective on the effective date identified in the Tier 1 Advice Letter. Absent a Commission resolution, PG&E may implement Customer Credit adjustments proposed in a non-routine Tier 1 Advice Letter on the effective date identified in the letter.

53. Each year, PG&E will project the balance of the Customer Credit Trust for the upcoming year. If the projected balance is less than the annual projected Fixed Recovery Charges for the year, PG&E shall file a Tier 1 Advice letter to reduce the Customer Credit such that the projected Customer Credit for the following 12 months equals the projected balance of the Customer Credit Trust at the end of the year. PG&E will seek to file this Tier 1 Advice letter at least 15 days before the end of February, such that the revised Customer Credit will be effective automatically on the first day of the following calendar month.

54. PG&E and the SPE shall account for revenues and credits from the Fixed Recovery Charges, the Customer Credit Trust and the Customer Credit as described in the body of this Financing Order and the accompanying Conclusions of Law.

55. PG&E is authorized to establish for each series of Bonds, an account for purposes of tracking the revenues associated with the income tax gross-up (the amount of income taxes in the annual adopted Commission revenue requirement that match Shareholder Tax Benefits utilization and the Initial Shareholder Contribution). The account will also recognize the amounts credited to Consumers' bills through the Customer Credit

56. PG&E shall not resign as servicer without prior approval from the Commission.

57. An annual servicing fee shall be paid to PG&E or any successor servicer. The annual servicing fee paid to PG&E shall be 0.05 percent of the initial principal amount of the Bonds as estimated to cover out-of-pocket costs and expenses of PG&E, as servicer. The annual

fee paid to a successor servicer, unless subsequently approved by this Commission, shall be no greater than 0.60 percent of the initial principal amount of the Bonds, as required by the rating agencies to receive the highest possible Bond ratings. PG&E shall credit electric Consumers the amount of these servicing fees, including in periods when there are insufficient funds in the Customer Credit Trust to fully fund the Customer Credit.

58. An annual administration fee will be paid to PG&E as administrator of the SPE. The annual administration fee shall be \$100,000 per series of Bonds. PG&E shall credit electric Consumers the amount of this administration fee, including in periods when there are insufficient funds in the Customer Credit Trust to fully fund the Customer Credit.

59. If Consumers of electricity in PG&E's Service Territory are billed by other entities, PG&E (as servicer for the Recovery Property) shall bill the Consumers directly or may require these other entities to bill for the Fixed Recovery Charges and to remit the Fixed Recovery Charge revenues to PG&E on behalf of such Consumers. Such Consumers shall be entitled to receive the Customer Credit equal to the amount of Fixed Recovery Charges collected and remitted to PG&E.

60. ESPs and other third parties that bill and collect the Fixed Recovery Charges and any FRTAs from PG&E's Consumers shall satisfy the requirements set forth in PG&E's Electric Rule 22.P.

61. In the course of authorizing any future change in ownership of assets from PG&E to a public entity as described in COL 70, the Commission shall establish conditions which either: (i) ensure the up-front funding of the Fixed Recovery Charges that would otherwise be paid by Consumers in PG&E's Service Territory whose rate payment would be affected by the

ownership change; or (ii) establish procedures to ensure the continued billing and collection of Fixed Recovery Charges from those Consumers and remittance of such collections to PG&E.

62. The Commission will not approve the appointment of any third-party servicer of Recovery Property without first determining that: (i) such approval will not cause any then-current credit rating of any then outstanding Recovery Bonds to be withdrawn or downgraded, and (ii) the servicing fee paid to the third-party servicer is reasonable. A servicing fee payable to a third-party servicer that is no higher than 0.60 percent of the initial principal amount of the Recovery Bonds is deemed by this Financing Order to be reasonable.

63. PG&E shall remit Fixed Recovery Charge revenues to the Bond Trustee, on behalf of the SPE, in accordance with the procedures described in the body of this Financing Order and the accompanying Conclusions of Law.

64. The Bond Trustee shall: (i) account for all funds as described in the body of this Financing Order and the associated Conclusions of Law; (ii) invest all funds in investment-grade short-term debt securities; and (iii) make principal and interest payments to Bond investors and pay other Financing Costs.

65. In the event of a default by PG&E in transferring the Fixed Recovery Charge revenues to the Bond Trustee on behalf of the SPE, the following parties may petition the Commission to order the sequestration and payment to the Bond Trustee for the benefit of the SPE of revenues arising from the Recovery Property: (a) the holders of the Recovery Bonds and the Bond Trustees or representatives thereof as beneficiaries of any statutory or other lien permitted by the Public Utilities Code, (b) the SPE or its assignees, and (c) pledgees or transferees, including transferees under Section 850.4, of the Recovery Property.

66. All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the Fixed Recovery Charges associated with Recovery Costs that are the subject of A.[], the issuance of the Recovery Bonds and all related transactions contemplated in the application, are hereby granted.

67. Pursuant to Section 824 and GO 24-C, PG&E shall maintain records that:

- (i) identify the specific Recovery Bonds issued pursuant to this Financing Order, and
- (ii) demonstrate that the proceeds from the Recovery Bonds have been used only for the purposes authorized by this Financing Order.

68. PG&E shall report, on behalf of the SPE, all information required by GO 24-C and the Commission's Financing Rule regarding the Recovery Bonds.

69. This Financing Order shall become effective in accordance with its terms and conditions only when PG&E provides its written consent to all terms and conditions of this Financing Order. This Financing Order shall be void and of no force or effect if PG&E does not provide its written consent to all terms and conditions of this Financing Order.

70. PG&E shall file and serve within 10 days from the date this Financing Order is mailed a written statement that either: (i) PG&E consents to all terms and conditions of this Financing Order, or (ii) PG&E does not consent to all terms and conditions of this Financing Order. If the latter, PG&E's written statement shall identify the specific terms and conditions it does not consent to and explain why it does not consent to these terms and conditions.

71. Following PG&E's written consent, this Financing Order, together with the Fixed Recovery Charges authorized by this Financing Order, shall be binding upon PG&E and any successor to PG&E that provides electric distribution service directly to Consumers of electricity within PG&E's Service Territory.

72. On or after the effective date of this Financing Order, upon the request of PG&E, the SPE, the indenture trustee in connection with a series of Recovery Bonds (“Bond Trustee”), or all of them, the Commission’s General Counsel shall execute and deliver the following to PG&E, the SPE, and/or the Bond Trustee: (i) a certificate that attaches a true, correct, and complete copy of this Financing Order and certifies such copy to be the act and deed of this Commission; (ii) a certificate that states this Financing Order has not been altered, rescinded, amended, modified, revoked, or supplemented as of the date of the closing of any series of Recovery Bonds authorized by this Financing Order; and (iii) a certificate that states the Commission has reviewed and approved each series of Recovery Bonds in accordance with this Financing Order.

73. Within 10 days from the date when all preconditions to the issuance of the Bonds have been satisfied, and in any event prior to the issuance of the first series of Bonds, PG&E shall remit a check to the Commission’s Fiscal Office in the amount of \$756,000 to pay fees related to Section 1904, and the SPE shall reimburse PG&E for such payment. The decision number of this Financing Order shall be written on the face of the check.

74. A.[] is granted as set forth in the previous Ordering Paragraphs.

75. This proceeding is closed.

This order is effective today.

Dated [], 20[], at San Francisco, California.

Attachment 1
Description of Cash Flow Model

Introduction

The purpose of this attachment is to describe the cash flow model used to calculate the Fixed Recovery Charge (“FRC”) or the Fixed Recovery Tax Amount (“FRTA”) for electric customers.¹ FRC rates will be calculated separately for each series of Recovery Bonds (“Bonds”) issued.

The remainder of this attachment is organized as follows:

- Overview of the Bond Cash Flow Model; and
- FRC rate calculation.

Overview of the Bond Cash Flow Model

The Bond cash flow spreadsheet models the expected annual revenue requirement of the Bonds based on assumptions for the electric load forecast for the forthcoming year, annual debt service of the Bonds, losses on collections from customers, and ongoing expenses such as overcollateralization, servicing and trustee fees. The model determines the annual FRC revenue requirement and rate for electric customers necessary to collect sufficient funds to pay the interest and principal on the Bonds, as well as the servicing fees, trustee fees, credit rating agency fees, and other necessary fees.

FRC Rate Calculation

The Bond cash flow model will calculate one FRC rate that will apply to electric customers. The initial FRC rate will be determined as described below:

Step 1: Determine the electric sales forecast for eligible electric customers for the forthcoming year.

Step 2: Determine all components to be covered by FRC revenue requirement in each year. These components include Bond principal, interest, and other financing costs.²

This model assumes that FRC collections will be remitted daily and held by the Bond Trustee in a collection account for distribution on semi-annual payment dates. The model also assumes a collection curve, such that when

¹ The Cash Flow Model described in this Attachment 1 is applicable to both the FRC and the FRTA, and references to the FRC throughout this Attachment 1 include the FRTA.

² Uncollectible billed FRC charge revenue and the timing of the remittances based on servicing procedures and delinquencies will each affect cash flow available to cover the tariff components and, consequently, will each be factored into the FRC charge as a component.

applied to the billed revenue for a given day the collection curve will map that day's billed revenue into expected daily cash receipts over the following 180 days, with any amount unpaid at 180 days assumed to be uncollectible.

Step 3: The rate per kWh for the year will equal the sum of the components covered by the FRC for the year divided by the estimated eligible sales for that year:

For the forecast year, Rate/kWh = FRC Revenue Requirement / Estimated Sales

Pacific Gas and Electric Company ("PG&E") has calculated an illustrative rate of 0.541 cents per kWh based on eligible sales of 72,933 gigawatt-hours and an annual revenue requirement of \$394.7 million (the "FRC Revenue Requirement"). The actual rate implemented for recovery of the Bond would be based on PG&E's then current estimate of eligible sales.

**Attachment 2
Form of Issuance Advice Letter**

[date]

**Advice _____-E
(Pacific Gas and Electric Company ID [])**

Public Utilities Commission of the State of California

Subject: Issuance Advice Filing for Recovery Bonds

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) [] (Decision), Pacific Gas and Electric Company (PG&E) hereby transmits for filing, one day after the pricing date of this series of Recovery Bonds, the initial Fixed Recovery Charges for the series. This Issuance Advice Filing is for the Recovery Bonds series _____, tranche(s) _____.

Purpose

This filing establishes initial Fixed Recovery Charges for rate schedules for Consumers. This filing also establishes the Recovery Property to be sold to the Recovery Property Owner (Special Purpose Entity or SPE).

Background

In Decision [], the Commission authorized PG&E to file Issuance Advice Letters when final terms and pricing for Recovery Bonds have been established. Issuance Advice Letter filings are those in which PG&E uses the bond sizing methodology and Fixed Recovery Charge formulas found reasonable by the Commission in Decision [] to establish initial Fixed Recovery Charges for a series of Recovery Bonds. Using the methodology approved by the Commission in Decision [], this filing establishes Fixed Recovery Charges.

Issuance Information:

Decision [] requires PG&E to provide the following information.

Recovery Bond Name: _____

Recovery Property Owner (SPE): _____

Bond Trustee(s): _____

Closing Date: _____

Bond Rating: _____

Amount Issued: _____

Issuance Costs: _____

Bond Issuance Costs as a Percent of Amount Issued: _____

Recovery Costs Financed: _____

Coupon Rate(s): _____

Call Features: _____

Expected Principal Amortization Schedule: See Exhibit 1

Scheduled Final Payment Date: _____

Legal Maturity Date: _____

Distributions to Investors (quarterly or semi-annually): _____

Annual Servicing Fee as a percent of the issuance amount: _____

Overcollateralization amount for the series, if any: _____

Principal Amount of Recovery Property Established: _____

Bond Issuance Costs

Bond Issuance Costs	
Underwriter Fees and Expenses	\$
Legal Fees and Expenses	
SEC Registration Fees	
Rating Agency Fees	
Accounting Fees and Expenses	
Section 1904 Fees ¹	
Printing/Edgarizing Costs	
Bond Trustee Fees and Expenses	
Original Issue Discount	
Miscellaneous	
Costs of the Commission	
Total	\$
Note 1: Section 1904 Fees computed by today's Order.	

True-Up Mechanism

Not less often than semi-annually, the servicer will compare the actual principal amortization with the scheduled principal amortization as set forth in Exhibit 1. If the servicer forecasts that Fixed Recovery Charge collections will be insufficient to make all scheduled payments of bond principal, interest, and related costs on a timely basis during the current or next succeeding payment period or to replenish any draws upon the capital subaccount, a change to the Fixed Recovery Charges will be requested via a Routine True-Up Mechanism Advice Letter or Non-Routine True-Up Mechanism Advice Letter in accordance with Decision [].

Ongoing Financing Costs

The following table includes estimated ongoing Financing Costs to be recovered through Fixed Recovery Charges in accordance with the Financing Order.

Estimated Ongoing Financing Costs	
Servicing Fee (PG&E as Servicer) ([##])% of the initial Recovery Bond principal amount	\$
Administration Fee	
Accountant's Fee	
Legal Fees/Expenses for Company's/Issuer's Counsel	
Bond Trustee's/ Bond Trustee's Counsel Fees and Expenses	
Independent Managers' Fees	
Rating Agency Fees	
Printing/Edgarizing Fees	
Miscellaneous	
TOTAL ONGOING FINANCING COSTS (with PG&E as Servicer)	\$
Ongoing Servicers Fee (Third Party as Servicer) (0.60 % of initial principal amount)	
TOTAL ONGOING FINANCING COSTS (Third Party as Servicer)	\$

Fixed Recovery Charges

Table 1 below shows the current assumptions for each of the variables used in the Fixed Recovery Charges calculation.

TABLE 1	
Input Values For Fixed Recovery Charges	
kWh sales for the applicable period	
Percent of revenue requirement allocated to Consumers	
Percent of Consumers' revenue written off	
Percent of Consumers' billed amounts expected to be uncollected	
Percent of billed amounts collected in current month	
Percent of billed amounts collected in second month after billing	
Percent of billed amounts collected in third month after billing	
Percent of billed amounts collected in fourth month after billing	
Percent of billed amounts collected in fifth month after billing	
Percent of billed amounts collected in sixth month after billing	
Ongoing Financing Costs for the applicable period	
Expected Fixed Recovery Charges outstanding balance as of ___/___/___	

Table 2 shows the initial Fixed Recovery Charges calculated for Consumers. The Fixed Recovery Charge and FRTA, if any, calculations are shown in Exhibit 2.

TABLE 2	
Consumers Fixed Recovery Charge ¹	¢/kWh
Consumers Fixed Recovery Tax Amount ¹	¢/kWh

Exhibit 3 includes proposed changes to [Part I of PG&E's Preliminary Statement] to show Fixed Recovery Charges and FRTAs, if any, to be effective _____, [year].

Recovery Property

Recovery Property is the property described in Public Utilities Code Section 850(b)(11) relating to the Fixed Recovery Charges set forth herein, including, without limitation, all of the following:

- (1) The right, title and interest in and to the Fixed Recovery Charges set forth herein, as adjusted from time to time.
- (2) The right to be paid the total amounts shown on Attachment 2.
- (3) The right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the Fixed Recovery Charges, as set forth herein.
- (4) All rights to obtain adjustments to the Fixed Recovery Charges under the True-Up Mechanism.

These Fixed Recovery Charges, as adjusted from time to time, shall remain in place until the total amounts in Exhibit 2 are paid in full to the owner of the Recovery Property, or its assignee(s).

Effective Date

¹ For residential rates, PG&E proposes to retain the rate relationships by tier determined by D.15-07-001 with the addition of the Fixed Recovery Charges and Customer Credit and any FRTA.

In accordance with Decision [], unless before noon on the fourth business day after pricing the Commission issues an order finding that the proposed issuance does not comply with (i) Article 5.8, (ii) the Financing Order or (iii) the requirements of this Issuance Advice Letter, the Issuance Advice Letter and the Fixed Recovery Charges and FRTAs established by an Issuance Advice Letter will be effective automatically at noon on the fourth business day after pricing, and pursuant to Section 850.1(h), the Recovery Property established by the Financing Order, will come into being simultaneously with the sale of the Recovery Property to the SPE. The Fixed Recovery Charges and FRTAs, if any, will continue to be effective, unless they are changed by a subsequent True-Up Mechanism Advice Letter. All of the Recovery Property identified herein constitutes a current property right and will continuously exist as property for all purposes.

Description of Exhibits

Exhibit 1 to this advice filing presents the scheduled principal amortization schedule for the Fixed Recovery Charges.

Exhibit 2 presents the Fixed Recovery Charges calculations.

Exhibit 3 provides proposed changes to Part I of PG&E's Preliminary Statement.

Notice

In accordance with General Order 96-B, Section 4.4, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to [] at (415) [-]. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

Vice President - Regulatory Relations

Attachments

cc: Service List for A.[].

Exhibit 1

Expected Principal Amount Amortization
Series _____, Tranche _____

Exhibit 2
Amounts Receivable And Expected Principal Amount Amortization

The total amount payable to the owner of the Recovery Property, or its assignee(s), pursuant to this issuance advice letter is a \$_____ principal amount, plus interest on such principal amount, plus other Financing Costs, to be obtained from Fixed Recovery Charges calculated in accordance with D. [].

The Fixed Recovery Charges shall be adjusted from time to time, at least annually, via the Routine True-Up Mechanism Advice Letter Non-Routine True-Up Mechanism Advice Letter in accordance with D. [].

The following amounts are scheduled to be paid by the Bond Trustee from Fixed Recovery Charges it has received. These payment amounts include principal plus interest and other ongoing costs.

<u>Payment Date</u>	<u>Receipt Amount</u>	<u>Payment Amount</u>	<u>Outstanding Principal</u>
[date 1]	[\$receipt 1]	[\$payment 1]	[\$outstanding principal 1]
•	•	•	•
•	•	•	•
•	•	•	•
[date n]	[\$receipt n]	[\$payment n]	[\$outstanding principal n]
			[\$0]

Exhibit 3
[Proposed changes to Part I of PG&E's Preliminary Statement]

Attachment 3
Form of Routine True-Up Mechanism Advice Letter

[date]

Application _____-E
(Pacific Gas and Electric Company ID [])

Public Utilities Commission of the State of California

Subject: Routine [Annual] / [Semi-Annual] / [Interim] Advice Filing for Fixed Recovery Charges True-up Mechanism

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) [] (Decision), Pacific Gas and Electric Company (PG&E), as servicer of the Recovery Bonds (Recovery Bonds) and on behalf of the Special Purpose Entity, hereby applies for adjustment to the Fixed Recovery Charge for series _____, Tranche(s) _____ of the Recovery Bonds.

Purpose

This filing establishes revised Fixed Recovery Charges and FRTAs for rate schedules for Consumers, as set forth in D. [].

Background

In D. [], the Commission granted PG&E authority to issue Recovery Bonds to pay Catastrophic Wildfire Amounts and associated financing costs, and consequently to reduce PG&E's electric rates.

Recovery Bonds are securities that are backed by the cash flows generated by a specific asset that will be sold by PG&E to a Special Purpose Entity that issued the Recovery Bonds secured by this asset. The asset sold is Recovery Property, a current property right that was created by Article 5.8 as the right, title and interest in and to all (i) Fixed Recovery Charges established pursuant to the Financing Order, including all rights to obtain adjustments, and (ii) revenues, collections, claims, payments, moneys, or proceeds of or arising from the Fixed Recovery Charges that will cover debt service and all related Recovery Bond costs.

In D. [], the Commission authorized PG&E to file Routine True-up Mechanism Advice Letters at least annually, and more frequently as permitted in the Financing Order, (i) at least 15 days before the last day of February for annual filings, (ii) at least 15 days before August 31 for semi-annual filings and (iii) at least 15 days before the end of the month for interim filings. These filings are intended to ensure that the actual revenues collected under the Fixed Recovery Charges will be sufficient to make all scheduled payments of Bond principal, interest, and other financing costs on a timely basis during the current or next succeeding payment period or to replenish any draws upon the capital subaccount. Routine True-up Mechanism Advice Letter filings are those where PG&E uses the method found reasonable by the Commission in D.[] to revise existing Fixed Recovery Charges and FRTAs.

Using the method approved by the Commission in D. [], this filing modifies the variables used in the Fixed Recovery Charge calculations and provides the resulting modified Fixed Recovery Charges.

Table 1 shows the revised assumptions for each of the variables used in calculating the Fixed Recovery Charges for Consumers. Exhibit 1 shows the revised payment schedule.

TABLE 1	
Input Values For Revised Fixed Recovery Charges	
kWh sales for the applicable period	
Percent of Consumers' revenue written off	
Percent of revenue requirement allocated to Consumers	
Percent of Consumers' billed amounts expected to be uncollected	
Percent of billed amounts collected in current month	
Percent of billed amounts collected in second month after billing	
Percent of billed amounts collected in third month after billing	
Percent of billed amounts collected in fourth month after billing	
Percent of billed amounts collected in fifth month after billing	
Percent of billed amounts collected in sixth month after billing	
Percent of billed amounts remaining less uncollectibles	
Ongoing Financing Costs for the applicable period	
Expected Fixed Recovery Charges outstanding balance as of ___/___/___	
Over- or undercollection of principal from previous Fixed Recovery Charge collections to be reflected in the new Fixed Recovery Charges	

Table 2 shows the revised Fixed Recovery Charges calculated for Consumers. The Fixed Recovery Charge and FRTA, if any, calculations are shown in Exhibit 2.

TABLE 2	
Consumer Fixed Recovery Charge ¹	¢/kWh
Consumers Fixed Recovery Tax Amount ¹	¢/kWh

Exhibit 3 includes proposed changes to Part I of PG&E's Preliminary Statement to show Fixed Recovery Charges and FRTAs, if any, to be effective March 1, [September 1, if semi-annual Routine True-Up Mechanism Advice Letter] [or month, if interim Routine True-Up Mechanism Advice Letter][year].

Effective Date

[If annual Routine True-Up Mechanism Advice Letter]

¹ For residential rates, PG&E proposes to retain the rate relationships by tier determined by D.15-07-001 with the addition of the Fixed Recovery Charges and Customer Credit.

In accordance with D. [], Routine True-Up Mechanism Advice Letters for required annual Fixed Recovery Charge adjustments shall be filed at least 15 days before last day of February and these adjustments to Fixed Recovery Charges and FRTAs shall be effective on March 1. No Commission resolution is required. Therefore, these Fixed Recovery Charges and any FRTAs shall be effective March 1, [year] through February 28, [year], unless they are changed by an interim adjustment prior to February 28, [year].

[If semi-annual Routine True-Up Mechanism Advice Letter]

In accordance with D. [], semi-annual Routine True-Up Mechanism Advice Letters for interim Fixed Recovery Charge adjustments shall be filed at least 15 days before the end of [August] and these adjustments to Fixed Recovery Charges shall be on September 1, []. No Commission resolution is required. Therefore, these Fixed Recovery Charges shall be effective September 1, [year] through February 28, [year], unless they are changed by an interim adjustment prior to February 28, [year].

[If interim Routine True-Up Mechanism Advice Letter]

In accordance with D. [], interim Routine True-Up Mechanism Advice Letters for interim Fixed Recovery Charge adjustments shall be filed at least 15 days before the end of the month and these adjustments to Fixed Recovery Charges shall be effective at the beginning of the next month. No Commission resolution is required. Therefore, these Fixed Recovery Charges shall be effective [month] 1, [year] through February 28, [year], unless they are changed by an interim adjustment prior to February 28, [year].

Description of Exhibits

Exhibit 1 to this advice filing presents the revised principal amortization schedule for the Fixed Recovery Charges.

Exhibit 2 presents the revised Fixed Recovery Charge calculations.

Exhibit 3 provides proposed changes to Part I of PG&E's Preliminary Statement.

Notice

In accordance with General Order 96-B Section 4.4, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to [] at (415) [-]. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

Vice President - Regulatory Relations

Attachments

cc: Service List for A.[].

Exhibit 1
Revised Expected Principal Amount Amortization
Series _____, Tranche _____

Exhibit 2
Revised Amounts Receivable And Expected Principal Amount Amortization

The total amount payable to the owner of the Recovery Property, or its assignee(s), pursuant to this letter is a \$_____ principal amount, plus interest on such principal amount, plus other Financing Costs, to be obtained from Fixed Recovery Charge calculated in accordance with D. [].

The Fixed Recovery Charges shall be adjusted from time to time, at least annually, via the Fixed Recovery Charge True-Up Mechanism in accordance with D. [].

The following amounts are scheduled to be paid by the Bond Trustee from Fixed Recovery Charges it has received. These payment amounts include principal plus interest and other financing costs.

<u>Payment Date</u>	<u>Receipt Amount</u>	<u>Payment Amount</u>	<u>Outstanding Principal</u>
[date 1]	[\$receipt 1]	[\$payment 1]	[\$outstanding principal 1]
•	•	•	•
•	•	•	•
•	•	•	•
[date n]	[\$receipt n]	[\$payment n]	[\$outstanding principal n]
			[\$0]

Exhibit 3
[Proposed changes to Part I of PG&E's Preliminary Statement]

Attachment 4
Form of Non-Routine True-Up Mechanism Advice Letter

[date]

Application _____-E
(Pacific Gas and Electric Company ID [])

Public Utilities Commission of the State of California

Subject: Non-Routine Advice Filing for Fixed Recovery Charges True-up Mechanism

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) [] (Decision), Pacific Gas and Electric Company (PG&E), as servicer of the Recovery Bonds (Recovery Bonds) and on behalf of the Special Purpose Entity, hereby applies for adjustment to the Fixed Recovery Charge for series _____, Tranche(s) _____ of the Recovery Bonds.

Purpose

This filing establishes revised Fixed Recovery Charges for rate schedules for Consumers, as set forth in D. [].

Background

In D. [], the Commission granted PG&E authority to issue Recovery Bonds to pay Catastrophic Wildfire Amounts and associated financing costs, and consequently to reduce PG&E's electric rates.

Recovery Bonds are securities that are backed by the cash flows generated by a specific asset that will be sold by PG&E to a Special Purpose Entity that issued the Recovery Bonds secured by this asset. The asset sold is Recovery Property, a current property right that was created by Article 5.8 as the right, title and interest in and to all (i) Fixed Recovery Charges established pursuant to the Financing Order, including all rights to obtain adjustments, and (ii) revenues, collections, claims, payments, moneys, or proceeds of or arising from the Fixed Recovery Charges that will cover debt service and all related Recovery Bond costs.

In D. [], the Commission authorized PG&E to file Non-Routine True-up Mechanism Advice Letters at least annually, and more frequently as permitted in the Financing Order, to propose revisions to the logic, structure and components of the cash flow model adopted by the Financing Order. These filings are intended to ensure that the actual revenues collected under the Fixed Recovery Charges will be sufficient to make all scheduled payments of Bond principal, interest, and other financing costs on a timely basis during the current or next succeeding payment period or to replenish any draws upon the capital subaccount. Non-Routine True-up

Mechanism Advice Letter filings are those where PG&E uses the method found reasonable by the Commission in D. [] to revise existing Fixed Recovery Charges.

Using the cash flow model attached to this Non-Routine True-Up Mechanism Advice Letter as Exhibit 1, this filing modifies the variables used in the Fixed Recovery Charge calculations and provides the resulting modified Fixed Recovery Charges.

Table 1 shows the revised assumptions for each of the variables used in calculating the Fixed Recovery Charges for Consumers. Exhibit 2 shows the revised payment schedule.

TABLE 1	
Input Values For Revised Fixed Recovery Charges	
kWh sales for the applicable period	
Percent of Consumers' revenue written off	
Percent of revenue requirement allocated to Consumers	
Percent of Consumers' billed amounts expected to be uncollected	
Percent of billed amounts collected in current month	
Percent of billed amounts collected in second month after billing	
Percent of billed amounts collected in third month after billing	
Percent of billed amounts collected in fourth month after billing	
Percent of billed amounts collected in fifth month after billing	
Percent of billed amounts collected in sixth month after billing	
Percent of billed amounts remaining less uncollectibles	
Ongoing Financing Costs for the applicable period	
Expected Fixed Recovery Charges outstanding balance as of ___/___/___	
Over- or undercollection of principal from previous Fixed Recovery Charge collections to be reflected in the new Fixed Recovery Charges	

Table 2 shows the revised Fixed Recovery Charges calculated for Consumers. The Fixed Recovery Charge calculations are shown in Exhibit 3.

TABLE 2	
Consumer Fixed Recovery Charge ¹	¢/kWh

Exhibit 4 includes proposed changes to Part I of PG&E's Preliminary Statement to show Fixed Recovery Charges to be effective on [Date].

Effective Date

In accordance with D.[], Non-Routine True-Up Mechanism Advice Letters for Fixed Recovery Charge adjustments shall be filed at least 90 days before the date when the proposed

¹ For residential rates, PG&E proposes to retain the rate relationships by tier determined by D.15-07-001 with the addition of the Fixed Recovery Charges and Customer Credit.

changes would become effective. Absent a Commission resolution, as described in D.[], the adjustment to the Fixed Recovery Charges shall be effective on [Date].

Description of Exhibits

Exhibit 1 to this advice filing presents the new cash flow model for the Fixed Recovery Charges.

Exhibit 2 to this advice filing presents the revised principal amortization schedule for the Fixed Recovery Charges.

Exhibit 3 presents the revised Fixed Recovery Charge calculations.

Exhibit 4 provides proposed changes to Part I of PG&E's Preliminary Statement.

Notice

In accordance with General Order 96-B Section 4.4, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to [] at (415) [-]. Advice letter filings can also be accessed electronically at: **<http://www.pge.com/tariffs>**

Vice President - Regulatory Relations

Attachments

cc: Service List for A.[]

Exhibit 1
New Cash Flow Model for the Fixed Recovery Charges.

Exhibit 2
Revised Expected Principal Amount Amortization
Series _____, Tranche _____

Exhibit 3
Revised Amounts Receivable And Expected Principal Amount Amortization

The total amount payable to the owner of the Recovery Property, or its assignee(s), pursuant to this letter is a \$_____ principal amount, plus interest on such principal amount, plus other Financing Costs, to be obtained from Fixed Recovery Charge calculated in accordance with D. [].

The Fixed Recovery Charges shall be adjusted from time to time, at least annually, via the Fixed Recovery Charge True-Up Mechanism in accordance with D. [].

The following amounts are scheduled to be paid by the Bond Trustee from Fixed Recovery Charges it has received. These payment amounts include principal plus interest and other financing costs.

<u>Payment Date</u>	<u>Receipt Amount</u>	<u>Payment Amount</u>	<u>Outstanding Principal</u>
[date 1]	[\$receipt 1]	[\$payment 1]	[\$outstanding principal 1]
•	•	•	•
•	•	•	•
•	•	•	•
[date n]	[\$receipt n]	[\$payment n]	[\$outstanding principal n]
			[\$0]

Exhibit 4
[Proposed changes to Part I of PG&E's Preliminary Statement]

Attachment 5
Form of Customer Credit Advice Letter to Match Fixed Recovery Charges

[Date]

ADVICE ____-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Revision of Securitization Customer Credit to Match the Fixed Recovery Charge

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice filing in compliance with the requirement in Decision (D.) 20-XX-XXX which authorized PG&E to issue securitized bonds and established a dedicated rate component, the Fixed Recovery Charge (FRC), and the Customer Credit. This Advice adjusts the Customer Credit rate to match the FRC proposed in Advice XXXX-E.

Background

In D.20-XX-XXX, the Commission established the FRC to recover the costs associated with the securitized financing and an offsetting Customer Credit. PG&E has submitted Advice XXXX-E as a routine / non-routine Advice to revise the FRC rate to \$0.XXXXXX per kWh. This filing revises the Customer Credit to \$-0.XXXXXX per kWh effective [Date] to offset the revised FRC rate.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than [Date], which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

[Name]
Director, Regulatory Relations
c/o [Name]
Pacific Gas and Electric Company
77 Beale Street, Mail Code [Code]
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on **[Date]**. As authorized in D.20-XX-XXX, PG&E submits this as a Tier 1 filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

_____/S/
[Name]
[Title]

Attachment 6
Form of Customer Credit Advice Letter for Revisions per Trust Balance

[Date]

ADVICE ____-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Revision of Securitization Customer Credit to Match the Balance Available in the Customer Credit Trust

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice filing in compliance with the requirement in Decision (D.) 20-XX-XXX which authorized PG&E to issue securitized bonds and established a dedicated rate component, the Fixed Recovery Charge (FRC), and the Customer Credit. This Advice adjusts the Customer Credit rate to reflect the balance remaining in the Customer Credit Trust.

Background

In D.20-XX-XXX, the Commission established the FRC to recover the costs associated with the securitized financing and the Customer Credit to offset in whole or in part the FRC. PG&E established the Customer Credit Trust to accumulate amounts to fund the Customer Credit. As shown in Attachment A, PG&E forecasts that the balance in the Customer Credit Trust is insufficient to maintain the Customer Credit rate equal to the current FRC. As provided in D.20-XX-XXX, this filing adjusts the Customer Credit to \$-0.XXXXX per kWh which will utilize 90% of the forecast balance in the Customer Credit Trust.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than [Date], which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

[Name]
Director, Regulatory Relations
c/o [Name]
Pacific Gas and Electric Company
77 Beale Street, Mail Code [Code]
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on [Date]. As authorized in D.20-XX-XXX, PG&E submits this as a Tier 1 filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

_____/S/
[Name]
[Title]

Attachment 7
Formula/Methodology for Additional Shareholder Contributions to Customer Credit Trust
Timing of Additional Shareholder Contributions to the Customer Credit Trust

PG&E¹ will make Additional Shareholder Contributions to the Customer Credit Trust up to the Cap by applying an amount of estimated total Shareholder Tax Benefits derived primarily from certain wildfire-related payments, as set forth in Table 7-1, lines 1-10.²

TABLE 7-1
ESTIMATE OF SHAREHOLDER TAX BENEFITS AND RATEPAYER NOLS
AS OF FEBRUARY 18, 2020
(MILLIONS OF DOLLARS)

Line No.	Estimate of Total Shareholder Tax Benefits			
1		2020E Federal	2020E State	Total
2	Wildfire Claims Settlements	(\$25,500)	(\$25,500)	
3	Less: Initial Wildfire Fund Contribution ¹	(\$320)	(\$4,800)	
4	Less: Ongoing Wildfire Fund Contribution	(\$192)	(\$192)	
5	Plus: Insurance Proceeds	\$2,200	\$2,200	
6	Total Wildfire Related Tax Deductions Created	(\$23,812)	(\$28,292)	
7				
8	Existing Shareholder Deductions	\$423	\$0	
9	Plus: Wildfire Related Deductions Created	\$23,812	\$28,292	
10	Total Shareholder Deductions	\$24,235	\$28,292	
11				
12	(x) Applicable Tax Rate	21.00%	8.84%	
13	Customer Credit Trust CAP	\$5,089	\$2,501	\$7,590
14				
15				
16	Estimate of Ratepayer NOLs			
17		Pre-2020 Federal	Pre-2020 State	Total
18	NOL carryforward at emergence, through 2018	\$3,557	\$0	
19	NOL carryforward at emergence, 2019	\$1,904	\$1,911	
20	Total Ratepayer NOLs	\$5,462	\$1,911	
21				
22	(x) Applicable Tax Rate	21.00%	8.84%	
23	Total Tax Deductions Savings	\$1,147	\$169	\$1,316

¹The \$4.8B deduction for the state contribution to the AB1054 Wildfire Fund is assumed to occur in 2020. The full value of the deduction is counted towards the cap regardless of whether the deduction is taken immediately or amortized.

- ¹ Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Financing Order granting Application (A.) [] to which this Attachment 7 is attached.
- ² PG&E prepared this estimate in February 2020 and provided it on a confidential basis to parties in connection with the CPUC proceeding considering PG&E's Plan (Investigation (I.) 19 09 016). See PG&E's Second Omnibus Supplemental Data Response, Attachment PlanOfReorganizationOII-2019_DR_MISC_Atch01CPUC financial package 2.18.20_Updated_Confidential.xlsx, Tab 12 (served Feb. 19, 2020 in I.19-09-016).

Table 7-1 above sets forth the maximum amount of cash that may be contributed from these Shareholder Tax Benefits at \$7.59 billion, i.e., the Cap (*see* Table 7-1, line 13). The Cap is equal to the total cash tax savings estimated as of February 18, 2020 resulting from the application of (i) \$23.812 billion in federal deductions or NOLs, and \$28.292 billion in state deductions or NOLs, for wildfire-related payments (lines 2-4) as reduced by insurance proceeds (line 5) plus (ii) \$423 million in pre-existing shareholder federal NOLs unrelated to the wildfire settlements or costs that are being contributed by the shareholders to help fund the Customer Credit Trust (line 8) (together with the deductions in line 6, the “Shareholder Deductions”). The total of these federal and state Shareholder Deductions was estimated to be worth \$7.59 billion in cash (line 13) using a 21 percent federal and 8.84 percent state tax rate.³

A component of the Cap is the tax benefits arising from the Wildfire Claims Settlements set forth on line 2 of Table 7-1 in the amount of \$25.5 billion. Included in that amount is the value of the common stock of reorganized PG&E Corporation contributed to the Fire Victim Trust (as defined in the Plan), which at Fire Victim Equity Value (as defined in the Plan) is \$6.75 billion. On July 1, 2020, in connection with consummating the Plan, PG&E contributed 24.08 percent of the common stock of PG&E Corporation to the Fire Victim Trust. The ultimate amount of that portion of the deduction in line 2 will be the fair market value of the stock either as of the date of emergence (July 1, 2020) or as of the date or dates of disposition by the Fire Victim Trust, up to a deduction of 6.75 billion, as set forth on line 2 of Table 7-1. In the event PG&E does not realize the full \$6.75 billion of deduction for the common stock contributed to the Fire Victim Trust included on line 2 of Table 7-1, PG&E will add additional amounts in line 3 under the Federal column in Table 7-1, which will come from deductions resulting from the \$4.8 billion Initial Wildfire Fund Contribution for federal taxes. The initial contribution of \$4.8 billion will be amortized over fifteen years, meaning that PG&E will deduct \$320 million each year from 2020 through 2034 on its federal tax returns. The first of the 15 annual deductions of \$320 million in 2020 is shown in line 3 of Table 7-1. This would provide sufficient available deductions such that, assuming sufficient taxable income and assuming the tax rates in line 12 of Table 7-1, the deductions (or NOLs) would generate \$7.59 billion in Additional Shareholder Contributions. This change only reduces the risk of insufficient deductions (or NOLs). It does not change any other

³ The impact of the state deduction for federal tax purposes is ignored for this calculation—this calculation is purely formulaic in nature.

factor that impacts whether the actual amount of Additional Shareholder Contributions will be \$7.59 billion.

Formula for Calculating Additional Shareholder Contributions to the Customer

Credit Trust

In the proposed methodology for calculating Additional Shareholder Contributions described below, PG&E will apply a multi-step formula to calculate the Additional Shareholder Contributions to the Customer Credit Trust in any given year. To apply the formula, PG&E will assume that certain preexisting NOLs—set forth on lines 18 and 19 in Table 7-1—from deductions in prior years that were carried forward as NOLs (“Ratepayer NOLs”) are applied to reduce taxable income before any Shareholder Deductions. When Ratepayer NOLs have been exhausted, PG&E will calculate the amount by which the application of the Shareholder Deductions reduces taxable income.⁴

PG&E will make this calculation of Additional Shareholder Contributions by first keeping track of the amount of Shareholder Deductions identified in lines 2-4 (adjusted for insurance proceeds on line 5) and line 8 of Table 7-1 that are actually taken on PG&E’s tax returns in the aggregate, up to the amount of Shareholder Deductions needed to generate \$7.59 billion in Additional Shareholder Contributions using the tax rates in line 12 of Table 7-1. In a tax year with positive taxable income, and upon exhausting all Ratepayer NOLs, PG&E will determine the amount by which taxable income that year is reduced by those Shareholder Deductions and multiply that amount by the then-applicable tax rate for the year to determine the amount of the Additional Shareholder Contribution. PG&E then will deduct the amount of Shareholder Deductions applied in the formula from the balance of Shareholder Deductions available in future years. As long as the Recovery Bonds remain outstanding, this calculation will be repeated each year until either the balance of Shareholder Deductions available is zero or the sum of all Additional Shareholder Contributions equals the Cap of \$7.59 billion (projected to occur in 2035).

The projection of taxable income, the application of the Ratepayer NOLs, and the application of the Shareholder Deductions and the corresponding Additional Shareholder Contributions to the Customer Credit Trust is set forth in Table 7-2.

⁴ This proposed methodology is only for the purpose of calculating the Additional Shareholder Contribution for any year and does not impact PG&E’s actual tax returns or the income or franchise taxes for establishing revenue requirements.

TABLE 7-2
FORECAST UTILIZATION OF SHAREHOLDER TAX BENEFITS
(MILLIONS OF DOLLARS)

Line No.		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1												
2	Federal											
3	Consolidated Forecast Taxable Income	\$ (20,599)	\$ (1,325)	\$ (166)	\$ 1,588	\$ 1,936	\$ 2,109	\$ 2,355	\$ 2,623	\$ 2,913	\$ 3,221	\$ 3,562
4	Ratepayer NOL, Beginning of Year (BOY)	\$ 5,462	\$ 5,462	\$ 5,462	\$ 5,462	\$ 3,874	\$ 1,938	\$ 217	\$ -	\$ -	\$ -	\$ -
5	less: Ratepayer NOLs applied	\$ -	\$ -	\$ -	\$ (1,588)	\$ (1,936)	\$ (1,721)	\$ (217)	\$ -	\$ -	\$ -	\$ -
6	Ratepayer NOL, End of Year (EOY)	\$ 5,462	\$ 5,462	\$ 5,462	\$ 3,874	\$ 1,938	\$ 217	\$ -	\$ -	\$ -	\$ -	\$ -
7	Shareholder Deductions BOY	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 22,568	\$ 20,469	\$ 18,138	\$ 15,562
8	less: Shareholder Deductions Applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,667)	\$ (2,098)	\$ (2,331)	\$ (2,577)	\$ (2,849)
9	Shareholder Deductions EOY	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 24,235	\$ 22,568	\$ 20,469	\$ 18,138	\$ 15,562	\$ 12,712
10												
11	State											
12	Consolidated Forecast Taxable Income	\$ (25,868)	\$ (1,679)	\$ (524)	\$ 1,024	\$ 1,357	\$ 1,496	\$ 1,704	\$ 1,933	\$ 2,184	\$ 2,452	\$ 2,909
13	Ratepayer NOL, BOY	\$ 1,911	\$ 1,911	\$ 1,911	\$ 1,911	\$ 887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	less: Ratepayer NOLs applied	\$ -	\$ -	\$ -	\$ (1,024)	\$ (887)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Ratepayer NOL, EOY	\$ 1,911	\$ 1,911	\$ 1,911	\$ 887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Shareholder Deductions BOY	\$ 28,292	\$ 28,292	\$ 28,292	\$ 28,292	\$ 28,292	\$ 27,822	\$ 26,326	\$ 24,622	\$ 22,688	\$ 20,504	\$ 18,052
17	less: Shareholder Deductions Applied	\$ -	\$ -	\$ -	\$ -	\$ (470)	\$ (1,496)	\$ (1,704)	\$ (1,933)	\$ (2,184)	\$ (2,452)	\$ (2,909)
18	Shareholder Deductions EOY	\$ 28,292	\$ 28,292	\$ 28,292	\$ 28,292	\$ 27,822	\$ 26,326	\$ 24,622	\$ 22,688	\$ 20,504	\$ 18,052	\$ 15,143
19												
20	Additional Contributions to Trust	\$ -	\$ -	\$ -	\$ -	\$ 42	\$ 132	\$ 501	\$ 612	\$ 683	\$ 758	\$ 855
1												
2	Federal											
3	Consolidated Forecast Taxable Income	\$ 3,797	\$ 4,058	\$ 4,335	\$ 4,627	\$ 5,452	\$ 5,754	\$ 6,052	\$ 6,362	\$ 6,687	\$ 7,029	
4	Ratepayer NOL, Beginning of Year (BOY)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5	less: Ratepayer NOLs applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Ratepayer NOL, End of Year (EOY)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
7	Shareholder Deductions BOY	\$ 12,712	\$ 9,675	\$ 6,429	\$ 2,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
8	less: Shareholder Deductions Applied	\$ (3,037)	\$ (3,247)	\$ (3,468)	\$ (2,961)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
9	Shareholder Deductions EOY	\$ 9,675	\$ 6,429	\$ 2,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10												
11	State											
12	Consolidated Forecast Taxable Income	\$ 3,085	\$ 3,286	\$ 3,498	\$ 3,722	\$ 3,956	\$ 4,184	\$ 4,403	\$ 4,630	\$ 4,869	\$ 5,120	
13	Ratepayer NOL, BOY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	less: Ratepayer NOLs applied	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
15	Ratepayer NOL, EOY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
16	Shareholder Deductions BOY	\$ 15,143	\$ 12,057	\$ 8,772	\$ 5,274	\$ 1,552	\$ -	\$ -	\$ -	\$ -	\$ -	
17	less: Shareholder Deductions Applied	\$ (3,085)	\$ (3,286)	\$ (3,498)	\$ (3,722)	\$ (1,552)	\$ -	\$ -	\$ -	\$ -	\$ -	
18	Shareholder Deductions EOY	\$ 12,057	\$ 8,772	\$ 5,274	\$ 1,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
19												
20	Additional Contributions to Trust	\$ 911	\$ 972	\$ 1,037	\$ 951	\$ 137	\$ -	\$ -	\$ -	\$ -	\$ -	

Shareholder Deductions are forecast to be exhausted by 2035, thus the forecast horizon for this schedule is 2020 - 2040
Forecast deductions may not occur as shown on this schedule due to potential changes in taxable income, tax rates and tax law

Lines 3 and 12 of Table 7-2 show projected federal and state taxable income or loss before the application of NOL carryforwards. Tax loss is projected from 2020 through 2022. Beginning in 2023, line 5 shows the application of the Ratepayer NOLs to reduce federal taxable income and line 14 shows the application of the Ratepayer NOLs to reduce state taxable income. In 2024, the Ratepayer NOLs are projected to be exhausted for state taxable income, which results in the first application of Shareholder Deductions in line 17 that generates the first Additional Shareholder Contribution in line 20. Similarly, in 2026, the Ratepayer NOLs are exhausted for federal taxable income and, as reflected in line 8, the Shareholder Deductions are then applied to reduce federal taxable income and generate Shareholder Tax Benefits that fund the Additional Shareholder Contribution for 2026.

The formula for calculating Additional Shareholder Contributions can be summarized by the following steps:

- Step 1: Taxable income – Ratepayer NOL balance = A. If $A > 0$, proceed to Step 2.
- Step 2: $B = \text{lesser of } A \text{ or remaining balance of Shareholder Deductions.}$
- Step 3: $C = B \times \text{applicable state or federal tax rate.}$
- Step 4: Additional Shareholder Contribution = C until aggregate Cap reached (or the Recovery Bonds have been repaid).

Applying this formula, PG&E will continue making contributions to the Customer Credit Trust until the earliest to occur of: (1) Additional Shareholder Contributions reach \$7.59 billion; (2) Shareholder Deductions have been fully applied; or (3) the Recovery Bonds have been repaid in full and the Fixed Recovery Charges have ceased.

Additional Notes to Table 7-2 and the Formula for Calculation of Additional Shareholder Contributions:

A. Table 7-2 reflects the effect of California Assembly Bill (AB) 85, which defers certain state NOLs for 2020, 2021, and 2022. Because PG&E forecasts a state taxable loss for 2020-2022, the deferral required by AB 85 does not affect the application of the Ratepayer NOLs in 2020-2022 or subsequent Shareholder Deductions in Table 7-2.

B. The federal CARES Act enacted in March of 2020, which allows five-year carrybacks for NOLs that arose in 2018-2020 and temporarily removes the 80 percent limitation on NOL carryforwards for tax years beginning before January 1, 2021 did not impact PG&E due to the consolidated taxpayer's forecasted inability to utilize NOLs in any of the years provided for in Table 7-2.

C. Table 7-2 assumes the same tax rates as used in the formula to calculate Additional Shareholder Contributions as are used to calculate the Cap in Table 7-1. PG&E will use the actual tax rate applicable at the time of the formula calculation to determine Additional Shareholder Contributions. If the applicable tax rate in the year of the formula calculation is greater or less than the amount that was used in Table 7-2 and to set the Cap in Table 7-1, the Additional Shareholder Contributions for any particular tax year will be larger or smaller than the projections and the Cap may not be reached at all, or it may be reached sooner or later than projected in Table 7-2. In no event will PG&E fund the trust with Additional Shareholder Contributions in excess of the \$7.59 billion Cap.

D. PG&E's actual taxable income may vary from the forecast contained in Table 7-2. PG&E will use actual taxable income, not the projections in Table 7-2, in the formula at the time of the formula calculation to determine Additional Shareholder Contributions.

E. PG&E will apply then applicable rules on the use of NOLs in each year in which it calculates Additional Shareholder Contributions. Tax legislation may change the amount and timing of various revenues and deductions on federal or state tax returns, and may therefore impact the amount and timing of taxable income in the future. In addition, a change in state or federal law or a change in ownership under Section 382 of the Internal Revenue Code⁵ that limits the use of Shareholder Deductions on PG&E's federal or state tax returns at the time of the formula calculation to determine Additional Shareholder Contributions, will limit the amount of the Additional Shareholder Contributions.

Timing of Additional Shareholder Contributions to the Customer Credit Trust

PG&E can determine its actual taxable income for a given year only after it prepares its federal and state tax returns for that year. In general, PG&E's federal and California tax returns must be filed in the fourth quarter of the year that follows the tax year in question. For purposes of applying the formula, rather than delaying Additional Shareholder Contributions until after the tax returns are completed, PG&E will estimate its taxable income for any tax year by April 15th of that tax year. If the formula calculates an Additional Shareholder Contribution based on the estimated taxable income, PG&E will make the Additional Shareholder Contribution in four equal installments. The first quarter contribution will be made at the end of April. The remaining three contributions will be made at the end of the second, third, and fourth quarters.

This methodology is illustrated in the following example, where "Y1" indicates a hypothetical year in which Additional Shareholder Contributions are payable based on estimated taxable income for Y1:

⁵ 26 U.S.C. § 382.

April 15 Y1	Apply formula based on estimated taxable income in Y1. Formula indicates Additional Shareholder Contributions of \$400 million.
End of April Y1	\$100M Additional Shareholder Contribution to Customer Credit Trust
Q2Y1	\$100M Additional Shareholder Contribution to Customer Credit Trust
Q3Y1	\$100M Additional Shareholder Contribution to Customer Credit Trust
Q4Y1	\$100M Additional Shareholder Contribution to Customer Credit Trust

When PG&E finalizes its federal and state tax returns the following year, it will determine its actual taxable income for the prior year and use the formula to calculate the Additional Shareholder Contribution for that prior year using actual taxable income. If PG&E over-contributed funds to the Customer Credit Trust (because, for example, actual taxable income was lower than estimated), no adjustment will be made and the prior-year Additional Shareholder Contribution will be counted in determining whether PG&E has reached the Cap. If PG&E under-contributed to the Customer Credit Trust in the prior year (because for example, actual taxable income was higher than forecast), PG&E will contribute the supplemental Additional Shareholder Contribution to the Customer Credit Trust in the fourth quarter of the year that it files its original tax returns or in quarterly installments the following year (i.e., the year after the original tax returns are filed). If PG&E has no taxable income in a given year, then additional NOLs would be generated in that year, but those new NOLs would not delay the use of Shareholder Deductions in the following or subsequent tax years. As a result, the Additional Shareholder Contribution would be made in the following and subsequent years.

ATTACHMENT 8
FORM OF
PACIFIC GAS AND ELECTRIC COMPANY
CUSTOMER CREDIT TRUST AGREEMENT

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**FORM OF
CUSTOMER CREDIT TRUST AGREEMENT**

THIS CUSTOMER CREDIT TRUST AGREEMENT is made as of [•] by and between Pacific Gas and Electric Company, a California corporation (“Company”), and [•] (“Trustee”).

WHEREAS, the Company, through a special purpose entity, is issuing recovery bonds (the “Bonds”) to fund costs and expenses related to certain wildfires that occurred in 2017 and other costs (“Financing Costs”) associated with the issuance of the Bonds;

WHEREAS, the principal, interest and related costs of the Bonds will be recovered by the collection of rates and other charges (the “Fixed Recovery Charges”) from certain existing and future consumers (the “Consumers”) of electricity in the Company’s service territory;

WHEREAS, the Company intends to issue a credit to the affected Consumers (the “Customer Credit”) in connection with the Fixed Recovery Charges;

WHEREAS, the Company is establishing the grantor trust hereunder to serve as the source of funding for the Customer Credit; and

WHEREAS, in the calendar year 2021 the Company intends to make a contribution, or series of contributions, to such grantor trust in an aggregate amount not to exceed \$1.8 billion (the “Initial Contribution”).

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Trustee hereby agrees to receive the Initial Contribution from the Company to initially fund the grantor trust hereunder; and

TO HAVE AND TO HOLD, the Initial Contribution and such additional contributions as may be made from time to time as provided herein, together with the investments and reinvestments thereof and any income, earnings and appreciation thereon (hereinafter collectively called “Trust”) onto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth.

I. DEFINITIONS, PURPOSE AND NAME

1.01. Definitions. As used in this Agreement, the following terms have the following meanings:

- (1) “Act” means the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code Section 16300 et seq.
- (2) “Additional Contributions” means any contribution, other than the Initial Contribution, made by the Company to the Trust.

- (3) “Agreement” means this Customer Credit Trust Agreement, as the same may from time to time be amended, modified, or supplemented.
- (4) “Authorized Representative” means, with respect to the Company, the Chief Executive Officer, President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or Chief Financial Officer or any other person designated as an Authorized Representative of the Company by a Certificate of the Company filed with the Trustee; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate of the Committee filed with the Trustee.
- (5) “Board of Directors” means the Board of Directors of the Company, as duly elected from time to time.
- (6) “Certificate” or “Certification” means a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.
- (7) “Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (8) “Committee” means the Customer Credit Trust Committee established pursuant to Article III.
- (9) “Contributions” means the Initial Contribution and all Additional Contributions (if any).
- (10) “CPUC” means the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (11) “CPUC Approval” means a Tier 2 advice letter filed by the Company with, and approved by, the CPUC.
- (12) “CPUC Order” means an order or resolution issued by the CPUC after the Company, the Committee, the CPUC staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC advice letter procedure or comparable procedure.
- (13) “Investment Manager(s)” means the fiduciary specified in the Investment Manager Agreement(s):

(a) that has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Trust;

(b) that is:

(i) registered as an investment adviser under the Investment Advisers Act of 1940,

(ii) a bank, as defined in the Investment Advisers Act, or

(iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state; and

(c) that has acknowledged, in writing, that it is fiduciary with respect to the Trust, that is qualified to act under subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

(14) “Investment Manager Agreement(s)” means the agreement(s) between the Committee and one or more investment managers selected by the Committee, which agreement governs the management of the assets of the Trust and will be subject to CPUC Approval.

(15) “Shortfall” means, with respect to any Customer Credit Period, the amount by which the Customer Credits issued in such period exceeds the amount available in the Trust for reimbursement to the Company of such Customer Credits.

The following terms are defined elsewhere in this Agreement, as indicated below:

Bonds	Recitals	Fundamental Provisions	2.08(3)(a)
Company	Preamble	Initial Contribution.....	Recitals
Consumers.....	Recitals	Investment Policy	5.01(1)
Customer Credit	Recitals	Reimbursable Trust Expenses.....	2.01(1)
Customer Credit Period.....	2.01(2)(b)	Trust	Recitals
Financing Costs	Recitals	Trustee.....	Preamble
Fixed Recovery Charges	Recitals	Unaffiliated Members	3.01(2)
Fundamental Approval.....	2.08(3)(b)		

1.02. Authorization. Each of the Trustee and the Company hereby represents and warrants that it has the full legal authority and is duly empowered, to enter into this Agreement;

and it has taken all action necessary to authorize the execution of this Agreement on its behalf by the signatories hereto.

1.03. Trust Purpose. The exclusive purpose of the Trust is to hold and invest its assets in order to distribute funds to the Company for the purpose of reimbursing the Company for issued Customer Credits.

1.04. Establishment of Trust. The Trust is established by this Agreement.

1.05. Name of Trust. The Contributions received by the Trust from the Company, the investments and reinvestments thereof and any income, earnings and appreciation thereon shall constitute the “Pacific Gas and Electric Company Customer Credit Trust”.

II. DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Trust as set forth in this Section 2.

2.01. Distributions from the Trust. The Trustee shall make distributions to the Company from the Trust in accordance with the following procedures.

(1) Distributions to the Company for Expense Reimbursement. Requests by the Company for reimbursement for any cost or expense of the Trust incurred by the Company, including (w) tax liabilities incurred by the Company in respect of the income earned on, or in respect of, the Trust, (x) amounts payable to the Trustee for compensation pursuant to Section 4.03, (y) amounts payable to the Trustee in respect of the indemnity provided in Section 4.08, and (z) reimbursement of out-of-pocket expenses of the Trustee otherwise properly incurred in performing its duties in accordance with this Agreement (collectively, “Reimbursable Trust Expenses”), shall be submitted by the Company to the Trustee and shall include:

(a) the amount of the Reimbursable Trust Expense;

(b) reasonable detail regarding the nature of such Reimbursable Trust Expense;

and

(c) a Certificate of the Company certifying that the Reimbursable Trust Expense is an actual cost or expense of the Trust incurred by the Company.

(2) Reimbursement of the Company for Customer Credits. Requests for payments to the Company for reimbursement of Customer Credits shall be submitted by the Company to the Trustee and shall include:

(a) the aggregate amount of the Customer Credit reimbursement being sought;

(b) the measurement period for the Customer Credits (the “Customer Credit Period”) included in such reimbursement;

(c) a report setting forth in reasonable detail the Customer Credits credited to the Consumers during such Customer Credit Period;

(d) whether any of such Customer Credit reimbursement amount is attributable to a Shortfall in a prior Customer Credit Period and, if so, the amount of such Shortfall and reasonable detail thereof; and

(e) a Certificate of the Company certifying that the Customer Credit reimbursement being sought represents actual Customer Credits credited during the applicable Customer Credit Period (or multiple Customer Credit Periods, in the case of a Shortfall).

(3) Distributions upon Termination. Upon the termination of the Trust in accordance with the terms of this Agreement, the Trustee shall make distributions to the Company pursuant to Section 2.07.

2.02. Additions to Trust; Substitutions. From time to time after the Initial Contribution and prior to the termination of the Trust, the Company may make, and the Trustee shall accept, Additional Contributions, in all cases to satisfy the purpose of the Trust as set forth in Section 1.03. The Company shall have the right to substitute other assets for Trust assets if such substituted assets are of equivalent value, confirmation of which equivalent value shall be subject to CPUC Approval (and the Company shall furnish to the CPUC information regarding the relative values of such substituted assets and the Trust assets being replaced).

2.03. Distribution of Income.

(1) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.

(2) Income on Current Collections. As of the end of each accounting period of the Trust, the undistributed income of the Trust shall, for purposes of all subsequent accounting periods, be treated as Trust principal.

2.04. No Transferability of Interest in Trust. The interest of the Company in the Trust is not transferable by the Company, whether voluntarily or involuntarily, nor is such interest or the assets of the Trust subject to the claims of creditors of the Company.

2.05. Resolution of Disagreements. If any disagreement arises between the Company, the Committee, and/or the CPUC regarding the Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to

limit the rights of the Company, the Committee, the CPUC, the Trustee or any other interested party under the California Public Utilities Code or other applicable laws or regulations.

2.06. Termination of Trust. The Trust shall be irrevocable and will terminate (in whole or in part) upon the earliest of:

- (1) receipt by the Trustee of a Certificate from the Committee stating that the Bonds have been repaid in full, the Financing Costs have been paid in full and the Fixed Recovery Charges have ceased;
- (2) the twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987;
- (3) CPUC Approval of the termination of the Trust; and
- (4) at any such time as the CPUC may order the Committee to terminate the Trust.

2.07. Distribution of Trust Upon Termination. Upon termination of the Trust, the Trustee shall assist the Investment Manager in liquidating the assets of the Trust, and thereupon distribute the then-existing assets of the Trust (including accrued, accumulated, and undistributed net income) *less* final Trust expenses (including taxes) to the Company, of which distributed amount the Company shall further distribute twenty-five percent (25%) to the Consumers.

2.08. Alterations and Amendments.

- (1) The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of the Trust.
- (2) This Agreement may be amended by majority approval of the Committee; provided that amendment of any of the Fundamental Provisions shall require Fundamental Approval.
- (3) For purposes of this Agreement:

(a) “Fundamental Provisions” means Sections 1.03 (Purpose), the nature of the distributions to the Company pursuant to 2.01 (Distributions from the Trust), 2.04 (No Transferability of Interest in Trust), 2.06 (Termination of Trust), 2.08(2) (Alterations and Amendments), 3.01(1) (Committee Members), 3.03(1) (Acts of Committee); the percentage of the Company’s distribution to the Consumers upon termination of the Trust, as set forth in Section 2.07; and this definition of “Fundamental Provisions” and the definition of “Fundamental Approval”.

(b) “Fundamental Approval” means (y) the super-majority approval of at least four (4) members of the Committee (which super-majority must include the approval of all three (3) Unaffiliated Members) and (z) CPUC Approval.

- (4) Notwithstanding anything herein to the contrary, (a) no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustee shall be made without its consent and (b) no amendment of this Agreement shall be effective prior to the Trustee receiving notice thereof.

2.09. No Authority to Conduct Business. The purpose of the Trust is limited to the matters set forth in Section 1.03 hereof, specifically, and there is no objective to carry on any business unrelated to the Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom. For the avoidance of doubt, the Trust is not intended to be a business trust.

III. THE COMMITTEE

3.01. Members.

- (1) The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee.
- (2) The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company (the “Unaffiliated Members”) shall be confirmed by the CPUC within 60 days of their submittal. For the Unaffiliated Member nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. Each Unaffiliated Member nominee shall furnish the CPUC with a declaration that such nominee has no financial or other interest that would conflict with the discharge of their responsibilities as a Committee member. Ownership of minor amounts of the Company’s stock and/or being a customer of the Company and/or having routine business relationships such as providing normal banking services shall not be regarded as creating such a conflict or an agency relationship.
- (3) If at any time and for any reason there are insufficient Unaffiliated Members to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an order, it shall prescribe in that order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe

a time by which the Company must submit the names or new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such order of the CPUC, and then only within the period of time prescribed in the order of the CPUC.

3.02. Term.

- (1) The term of each Committee member shall be five (5) years; provided, however, that any member may be removed by the CPUC for reasonable cause at any time. Initial appointments of Committee members may be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.
- (2) The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative of the Company.
- (3) The initial Unaffiliated Members (as approved by the CPUC) are: [•], [•] and [•], to serve for terms of [•], [•] and [•] years, respectively. The initial affiliated members of the Committee are: [•] and [•], to serve for terms of [•] and [•] years, respectively.¹

3.03. Acts of Committee.

- (1) Each member of the Committee shall have one vote and, other than with respect to amendment of any of the Fundamental Decisions, the Committee shall act by majority decision.
- (2) It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act.
- (3) Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained.
- (4) The Committee shall be subject to the jurisdiction of the CPUC.

3.04. Duties and Powers of the Committee.

- (1) The Committee shall direct and manage the Trust and perform all duties attendant thereto, including:

¹ NTD: CPUC Approval of the Unaffiliated Members to be obtained prior to execution of this Trust Agreement.

(a) the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest the Trust assets;

(b) so long as the principal terms of the Trust are consistent with those set forth herein, determination of the jurisdiction and structure of the Trust (including the reorganization or reconstitution of the Trust in a different jurisdiction or as a statutory trust as distinguished from a common law trust); and

(c) protection and enforcement of the rights to the Trust assets vested in the Trust and the Trustee by any method deemed appropriate, including, without limitation, by judicial proceedings or otherwise.

- (2) The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Trust administration expenses.
- (3) The Committee may adopt policies and procedures governing its direction and management of the Trust, so long as such policies and procedures do not contravene the purpose of the Trust as set forth herein or otherwise conflict or violate the provisions of this Agreement.

3.05. Committee Reports. The Committee shall submit a written report to the CPUC annually. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. The report shall include, at a minimum:

- (1) Starting and ending balance of the Trust for the period covered by the report;
- (2) The dates and amounts of the distributions to the Company from the Trust in respect of Customer Credits;
- (3) The dates and amounts of the distributions to the Company from the Trust in respect of Reimbursable Trust Expense, including reasonable detail regarding the nature thereof; and
- (4) An itemized accounting of the Trust administration expenses and the basis therefor.

3.06. Compensation.

- (1) Each Committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation

arrangements with such nominee. The fee and/or compensation arrangements shall be subject to CPUC Approval. The fee and/or compensation arrangements for the initial Unaffiliated Members have been approved by the CPUC.²

- (2) If the fee and/or compensation arrangements with any Unaffiliated Member should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to CPUC Approval.
- (3) Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of their duties under this Agreement.
- (4) Fees and/or compensation paid to Unaffiliated Members and reasonable expenses of the members of the Committee, including premiums for liability insurance, if applicable, shall be regarded as appropriate Trust administration expenses.

3.07. Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

3.08. Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as an Authorized Representative of the Committee. The Committee shall provide the Trustee with written notice of the termination of any of its Authorized Representatives' authority.

IV. TRUSTEE

4.01. Designation and Qualification of Trustee and any Successor Trustee(s).

- (1) The Company by this Agreement has appointed corporate fiduciary named herein having all requisite corporate power and authority to act as the sole Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of the Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any successor Trustee shall: (a) become insolvent or

² NTD: CPUC Approval of the compensation for Unaffiliated Members to be obtained prior to execution of this Trust Agreement.

admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign, the Trustee or successor Trustee, as applicable, shall cease to act as a fiduciary of the Trust and the Committee shall appoint a successor Trustee. In the event of any such removal or resignation, the Trustee or successor Trustee shall have the right to have its accounts settled as provided in Section 4.04 hereof. Any successor Trustee shall qualify by a duly acknowledged acceptance of the Trust, delivered by such successor Trustee to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer and pay over to such successor Trustee the monies, properties and other assets then constituting the Trust. Any successor Trustee shall have all the rights, powers, duties and obligations herein granted to the Trustee.

- (2) If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee as provided herein, the Trustee may apply to the CPUC for the appointment of a successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an appropriate Trust administration expense payable in accordance with Section 6.01 hereof.

4.02. Resignation. The Trustee or any successor Trustee may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which resignation shall be delivered to the Company and the Committee by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03. Compensation. The Trustee shall be entitled to compensation from the Trust in accordance with the fee schedule attached hereto as Schedule I, which schedule may be updated from time to time by the mutual agreement of the Committee and the Trustee.

4.04. Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each calendar quarter), or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Trust, including income and expenses of the Trust for the period. The Company and the Committee shall have the right to object to any of the Trustee's financial statements. If either the Company or the Committee desires to object to the Trustee's financial statements it shall deliver notice of its objection to the Trustee in writing within three (3) years from the day the Trustee shall mail or deliver such financial statements to the Company and the Committee. If no written objection is made within that time, the presentation of the financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said financial statements; provided, however,

that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.06 hereof.

4.05. Tax Returns and Other Reports; Tax Treatment of Trust.

- (1) The Trustee, the Committee, and the Company shall cooperate in the preparation of tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.15, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a periodic basis (as reasonably requested by the Company or the Committee) a report setting forth all investments purchased by the Investment Manager(s). The Trustee shall promptly advise the Company and the Committee if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets set forth in Section 5.01(4) hereof.
- (2) The parties to this Agreement intend that (a) the Trust be classified for U.S. federal and California income tax purposes as a grantor trust under Subpart E, Part I of Subchapter J of the Code, and not as a trust or association taxable as a corporation or other separate entity and (b) the Company be treated as the sole grantor of the Trust for such purposes. The powers granted and obligations undertaken pursuant to this Agreement shall be construed so as to further such intent, and all provisions of this Agreement shall be construed, and the Trust shall be administered, in a matter consistent with Subpart E, Part I of Subchapter J of the Code. To the extent the Trust is not treated as a grantor trust for U.S. federal income tax purposes, the parties to this Agreement intend that the Trust be treated as disregarded as separate from the Company for such purposes, and shall not file any elections or take any other action or fail to take any action that would result in the Trust being treated otherwise.

4.06. Liability.

- (1) The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be responsible for my losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign clearing facility, book-entry system, centralized custodial depository, or similar organization. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.04, the

Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

- (2) Pursuant to Section 6.08 hereof, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provisions of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in such Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in such Certificate from the date of receipt of such Certificate, the Trustee (and not the Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Trust) shall be liable for all consequence flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.
- (3) Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement, or for any losses to the Trust resulting, from any event beyond the reasonable control of the Trustee, its agents or subcustodians. This provision shall survive the termination of this Agreement.

4.07. Indemnity of Trustee. The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's violation of this Agreement or its own negligence or willful misconduct. This provision shall survive the termination of this Agreement.

V. INVESTMENTS

5.01. Appointment of Investment Manager(s).

- (1) The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Trust, which investments shall be made in accordance with the terms of the applicable Investment Manager Agreement(s) and the existing investment policies and procedures applicable to the Company's nuclear decommissioning trusts, which policies and procedures may be updated from time to time by the Committee (provided that any material amendment thereof shall require CPUC

Approval) (the “Investment Policy”). The Committee shall also have the right to remove any such Investment Manager.

- (2) The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee, which notice shall specify the portion, if any, of the Trust with respect to which the Investment Manager(s) has been designated.
- (3) The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.
- (4) The Investment Manager(s) shall have the power, subject to the terms of the applicable Investment Manager Agreement, to invest and reinvest all or any part of the Funds, including any undistributed income therefrom, in accordance with the Investment Policy. In all cases, however, the investments must be sufficiently liquid to enable the Trust to fulfill the purposes of the Trust and to satisfy obligations as they become due.

5.02. Direction by Investment Manager(s).

- (1) The Investment Manager(s) designated by the Committee to manage any portion of the Trust shall have authority, subject to the Investment Policy and to the terms of the applicable Investment Manager Agreement, to manage, acquire, and dispose of the assets of the Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 5.01(4) and pursuant to the Investment Policy. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

- (2) The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and except as provided in Section 4.05 herein, the Trustee shall have no duty to review any securities or other assets purchase by the Investment Manager(s), or to make suggestions to the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).
- (3) Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of portfolio for which an Investment Manager(s) has been appointed.

VI. TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of the Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

6.01. Payment of Expenses of Administration. To pay, from the Trust assets, all ordinary and necessary expenses and other incidental costs incurred in connection with the Trust or in the discharge of the Trustee's fiduciary obligations under this Agreement including, but not limited to, Investment Manager(s) fees and Committee member(s) fees and expenses, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 and the costs and expenses of any audit of the Trust.

6.02. Extension of Obligations and Negotiations of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, to or by the Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims on demands in favor of or against the Trust upon such terms as the Trustee may deem advisable, subject to the procedures contained in 2.01.

6.03. Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

6.04. Location of Assets. To keep any property belonging to the Trust at any place in the United States.

6.05. Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

6.06. Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust shall have become distributable and until such time as the entire principal of, and income from the Trust shall have been actually distributed by the Trustee (it is intended that the distribution of the Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.06 and 2.07 hereof).

6.07. Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

- (1) Contravene any provision of this Agreement; or
- (2) Violate the terms and conditions of any instructions provided by written Certificate by the Committee.

6.08. Trustee Reimbursement; Foreign Exchange Settlement. If the Trustee advances cash or securities for any purpose authorized under this Agreement, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Trust or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from such property sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Fund held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Trust for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Trust reasonable charges established under the Trustee's standard overdraft terms, conditions and procedures. The Trustee may settle transactions for foreign exchange or foreign exchange contracts.

VII. TRUSTEE'S MANAGEMENT OF THE TRUST

The Trustee the authority and responsibility to manage the Trust assets, but recognizes the authority of any Investment Manager(s) appointed by the Committee to invest and reinvest the assets of the Trust pursuant to Investment Manager Agreement(s) and as provided in Section 5.02 of this Agreement, and agrees to cooperate with such Investment Manager(s) as deemed necessary

to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall, without the written authorization of the Committee, invest cash balances, if any, in an investment account on a daily basis to the extent reasonable. Upon the written authorization of the Committee from time to time, the Trustee shall have the following powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of the Trust and the beneficiaries thereof, and which are to be exercised by the Trustee in its discretion, acting in such fiduciary capacity:

7.01. Preservation of Principal. The Trustee shall hold and manage the assets of the Trust in a manner designed to maximize and preserve the income and principal of the Trust for the purposes of the Trust.

7.02. Settlements. Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Trustee shall have no responsibility for nonreceipt of payment or late payment) by the counterparty.

7.03. Management of Trust.

- (1) The Trustee shall have the power to sell, exchange, partition, or otherwise dispose of all or any part of the Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such time, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of the Trust as set forth in Section 1.03.
- (2) Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any investment which would violate the restrictions on investment of Trust assets as set forth in Section 5.1(4) and nothing in this Section VII shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

7.04. Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

VIII. MISCELLANEOUS

8.01. Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in construction or interpretation of any of the provisions this Agreement.

8.02. Interpretation. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word “person” shall be taken to mean and include an individual, partnership, association, trust, company, or corporation. The word “including” when used herein means “including, but not limited to,” and the word “include” when used herein means “include, without limitation”.

8.03. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed confer upon, or to give to, any person, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein.

8.04. Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

8.05. Form and Content of Communications. The names of any person authorized to act on behalf of the Company or the Committee shall be certified, with the specimen signature of such person, in a Certificate delivered to the Trustee by the Company and the Committee, as applicable. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any Certificate or other written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

8.06. Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company, the Trustee or the Committee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

PACIFIC GAS AND ELECTRIC COMPANY
Attention: [•]
77 Beale Street, Room 805
San Francisco, California 94106

If to the Trustee:

[•]
Attention: [•]
[•]
[•]

If to the Committee:

Pacific Gas and Electric Company
Attention: Customer Credit Trust Committee
[•]
[•]

The Company, the Committee or the Trustee may change that address by delivering notice thereof in writing to the other persons as set forth in this Section 8.06.

8.07. Successors and Assigns. Subject to the provisions of Sections 2.04 (with respect to the Company) and 4.01 (with respect to the Trustee), this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.

8.08. Governing Jurisdiction. The Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.

8.09. Accounting Year. The Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

8.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.11. Approval. This Agreement shall be effective when approved by the CPUC and signed by all parties.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Agreement to be duly executed by their respective authorized representatives.

[TRUSTEE],
a **[form of business and state of registration]**

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Schedule I
Trustee Fee Schedule

(See attached.)
[TBD]

Attachment 9 Illustrative Securitization Fixed Recovery Charge and Customer Credit Schedule

TABLE 1 ILLUSTRATIVE SECURITIZATION FIXED RECOVERY CHARGE AND CUSTOMER CREDIT SCHEDULE (MILLIONS OF DOLLARS)

Line No.		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1	Fixed Recovery Charge (FRC)															
2	Annual Debt Service	\$ 186.4	\$ 299.6	\$ 299.6	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1
3	Servicing & Administrative Fees (PG&E)	\$ 2.9	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8
4	Rating Agency Fees	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
5	Ongoing Financing Costs ^{1,2}	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
6	Subtotal	\$ 189.7	\$ 303.9	\$ 303.9	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4
7	Collection Lag Gross Up ³	\$ 63.2														
8	Uncollectibles	\$ 0.8	\$ 1.0	\$ 1.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
9	Annual FRC RRQ	\$ 253.7	\$ 304.9	\$ 304.9	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7
10																
11	PG&E Customer Credit															
12	Annual Customer Credit RRQ ⁴	\$ (253.7)	\$ (304.9)	\$ (304.9)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)
13	Servicing & Administrative Fee from SPE	\$ (2.9)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)
14	Uncollectibles	\$ (0.8)	\$ (1.0)	\$ (1.0)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)
15	Trust Funded	\$ (186.8)	\$ (300.1)	\$ (300.1)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)
16	Cash Lag ⁵	\$ (63.2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17																
18	Customer Credit Trust															
19	Customer Credit Trust, BOY	\$ 1,800.0	\$ 1,649.3	\$ 1,391.6	\$ 1,126.5	\$ 805.4	\$ 567.1	\$ 695.9	\$ 940.6	\$ 1,264.3	\$ 1,673.5	\$ 2,193.2	\$ 2,783.4	\$ 3,452.9	\$ 4,207.4	\$ 4,895.3
20	Initial Shareholder Contribution	\$ 1,800.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Additional Contributions	\$ -	\$ -	\$ -	\$ 41.6	\$ 132.2	\$ 500.8	\$ 611.6	\$ 682.6	\$ 757.9	\$ 855.5	\$ 910.6	\$ 972.3	\$ 1,037.5	\$ 950.7	\$ 137.2
22	Customer Credit	\$ (186.8)	\$ (300.1)	\$ (300.1)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)
23	Customer Credit Trust Return ⁶	\$ 36.1	\$ 42.3	\$ 35.1	\$ 26.9	\$ 19.1	\$ 17.6	\$ 22.8	\$ 30.7	\$ 40.9	\$ 53.8	\$ 69.3	\$ 86.8	\$ 106.6	\$ 126.7	\$ 134.7
24	Customer Credit Trust, EOY	\$ 1,649.3	\$ 1,391.6	\$ 1,126.5	\$ 805.4	\$ 567.1	\$ 695.9	\$ 940.6	\$ 1,264.3	\$ 1,673.5	\$ 2,193.2	\$ 2,783.4	\$ 3,452.9	\$ 4,207.4	\$ 4,895.3	\$ 4,777.5
25																
26	Customer Net Bill Impact	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

Line No.		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
1	Fixed Recovery Charge (FRC)															
2	Annual Debt Service	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1	\$ 389.1
3	Servicing & Administrative Fees (PG&E)	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8
4	Rating Agency Fees	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
5	Ongoing Financing Costs ^{1,2}	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
6	Subtotal	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4	\$ 393.4
7	Collection Lag Gross Up ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (63.2)
8	Uncollectibles	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.1
9	Annual FRC RRQ	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 394.7	\$ 331.3
10																
11	PG&E Customer Credit															
12	Annual Customer Credit RRQ ⁴	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (394.7)	\$ (331.3)
13	Servicing & Administrative Fee from SPE	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)	\$ (3.8)
14	Uncollectibles	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.1)
15	Trust Funded	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)
16	Cash Lag ⁵	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63.2
17																
18	Customer Credit Trust															
19	Customer Credit Trust, BOY	\$ 4,777.5	\$ 4,517.3	\$ 4,249.7	\$ 3,974.6	\$ 3,691.8	\$ 3,400.9	\$ 3,101.8	\$ 2,794.3	\$ 2,478.1	\$ 2,153.0	\$ 1,818.6	\$ 1,474.9	\$ 1,121.4	\$ 758.0	\$ 384.3
20	Initial Shareholder Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Additional Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Customer Credit	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)	\$ (389.6)
23	Customer Credit Trust Return ⁶	\$ 129.4	\$ 122.1	\$ 114.5	\$ 106.7	\$ 98.7	\$ 90.5	\$ 82.1	\$ 73.4	\$ 64.5	\$ 55.3	\$ 45.9	\$ 36.1	\$ 26.2	\$ 15.9	\$ 5.3
24	Customer Credit Trust, EOY	\$ 4,517.3	\$ 4,249.7	\$ 3,974.6	\$ 3,691.8	\$ 3,400.9	\$ 3,101.8	\$ 2,794.3	\$ 2,478.1	\$ 2,153.0	\$ 1,818.6	\$ 1,474.9	\$ 1,121.4	\$ 758.0	\$ 384.3	\$ 0.0
25																
26	Customer Net Bill Impact	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

Assumes \$7.5B securitization starts on 4/1/2021, ~17 yr WAL, 2.9%, 0.051% servicing fees, 0.003% rating agency fees, and 0.33% uncollectibles, 8.84% State Tax Rate, 21% Federal Tax Rate
Assumes average after-tax annualized Customer Credit Trust Return is 2.79%

¹Accountants, Legal, Trustee/Trustee's Counsel, Independent Managers', Printing/Edgaring and Miscellaneous Fees

²RRQ assumes issuance fees are paid by PG&E. Indicative pricing for upfront fees ranges from \$36M - \$57M

³Collection lag gross up assumes a 45 day accounts receivables lag that must be pre-collected to ensure the SPE can service the debt in 2021, with a corresponding reversal in 2050

⁴The Customer Credit is funded by the Trust plus uncollectibles plus the servicing and administrative fee, which is collected from customers, remitted to the SPE, then paid to PG&E by the SPE, and credited to customers

⁵Assumes the Trust provides a credit equal to the amount PG&E remits to the SPE for the bond debt service plus rating agency and ongoing financing fees, leading to a cash lag analogous to the collection lag, reversed in 2050

⁶This is an average after-tax rate of return less investment advisor fees and an estimated \$500,000 each year in administrative expenses, calculated to result in a zero balance at the end of thirty years