Pacific Gas and Electric Company Securitization

A. 20-04-023

TURN HEARING EXHIBIT

TURN-5

Response to TURN Data Request 16

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

PG&E Data Request No.:	TURN_016-Q01-04		
PG&E File Name:	Securitization2020_DR_TURN_016-Q01-04		
Request Date:	November 16, 2020	Requester DR No.:	TURN-PG&E-16
Date Sent:	November 23, 2020	Requesting Party:	The Utility Reform Network
PG&E Witness:	Q1: Brad Cornell & David Thomason Q2: Greg Allen & David Thomason Q3: Greg Allen Q4: David Thomason	Requester:	Thomas Long

GENERAL OBJECTIONS

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

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

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

QUESTION 01

On p.6-4 PG&E states in its Rebuttal Testimony,

> "PG&E considered and rejected the alternative of a direct sale of the NOL cash flow because there is no liquid market for a transaction of this size and scale. That does not mean that PG&E has over-valued the NOLs, as TURN witness Dowdell suggests. Instead it means that there is no "market value" for a sale of the NOLs, given IRS prohibitions on the sale of NOLs and the lack of active trading in synthetic NOL cash flow products."

a. Does PG&E agree that the CCT could be characterized as an NOL derivative or equity derivative product? If not please explain all the reason why this characterization would be incorrect.

b. Does PG&E agree that it knows of no capital market participant who stands ready to pay a known amount of cash in exchange for the cash flows of the Customer Credit Trust? If the answer is anything other than an unqualified yes, please provide: 1) the names of any and all capital market participates who currently offer or who have offered to exchange the Customer Credit Trust cash flows for cash, and 2) the amount of cash each market participates offers or have offered in exchange for the cash flows of the Customer Credit Trust.

c. Does PG&E agree that, absent securitization, no capital market participant is willing to exchange the Customer Credit Trust cash flows for a cash value that is equal to the value that it proposes to extract from ratepayers? If not, please explain and describe the offers PG&E has received to exchange cash for the Customer Credit Trust cash flows.

ANSWER 01

a. PG&E objects to this request as vague and ambiguous and not relevant. PG&E particularly objects that the term “derivative” has multiple meanings and it, and the terms “NOL derivative product” and “equity derivative product,” are not defined. PG&E further notes that the CCT is an entity, not a product. The timing and amount of Additional Shareholder Contributions are determined by PG&E’s taxable income and applicable NOLs.

b. PG&E did not attempt to market the product hypothesized by this request, and accordingly PG&E does not know what capital market participants would be willing to enter into such a transaction or on what terms they would do so.

c. PG&E objects that the question is phrased in an argumentative and misleading manner in use of the phrase “value that it proposes to extract from ratepayers,” as the evidence shows that the Securitization is a net *benefit* to ratepayers. Subject to those objections, PG&E responds that it does not know what capital market participants would be willing to exchange because PG&E never marketed the hypothesized product.

QUESTION 02

On p. 6-32, PG&E states in Rebuttal Testimony, that Mr. Allen has prepared alternative scenarios using the Monte Carlo model.

a. Please provide documentation of any and all model runs prepared as alternative scenarios using the Monte Carlo model.

b. Please explain any and all reasons why the Alternative Scenario Case-Wildfire Loss in 2029, uses 2029 as the year for no taxable income?

c. Did PG&E run a scenario where Wildfire or other Loss resulted in elimination of taxable income for any year prior to 2029?

d. For how many concurrent quarters does PG&E estimate the 2017 and 2018 Wildfires will eliminate PG&E’s taxable income? If the answer to this question is not greater than eight quarters, please explain how PG&E arrived at its answer.

ANSWER 02

PG&E objects to this request as vague and ambiguous, not relevant, and to the extent it calls for privileged attorney work product. Subject to these objections, PG&E responds as follows:

a. The testimony reference to "alternative scenarios" refers to the scenarios addressed in Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell), including the one reflected in Table 6-15 below the cited testimony. The workpapers for those alternative scenarios have been or will be produced to TURN in response to Question 6 in TURN data request 15.

b. The use of 2029 is illustrative. It illustrates a hypothetical catastrophic wildfire occurring in the next few years, followed by several years of legal proceedings to resolve third-party claims (which would be paid through insurance and the Wildfire Fund), followed by a CPUC proceeding to determine prudence (which is assumed to begin after the claims are resolved), followed by a reimbursement to the Go-Forward Wildfire Fund up to the disallowance cap. For the avoidance of doubt, PG&E is not predicting that any of these events is likely to occur.

c. PG&E objects that this calls for privileged work product.

d. PG&E objects that this data request is ambiguous. A loss has an impact in the tax year (not quarter) in which the loss is recognized for tax purposes. PG&E anticipates recording a loss from the referenced wildfires on its 2020 tax returns. The only exception would be if the PG&E Corporation common stock that was provided to the Fire Victim Trust under PG&E's Plan is treated as transferred to a grantor trust rather than a qualified settlement trust. If treated as a grantor trust, the deduction will be taken on PG&E's tax returns when the stock is sold, which may occur after the 2020 tax year.

QUESTION 03

On pg. 6-30, PG&E's Rebuttal Testimony states that, in response to the testimony of TURN witness Ellis, PG&E made small adjustments to the Monte Carlo model.

a. Does PG&E agree that the revised Monte Carlo model does not make any adjustments for:
   i. The income forecast, or
   ii. The investment return forecast.
b. If the answer to part a above is yes for either item, please:
   i. Describe the adjustment that was made;
   ii. Provide all data reflecting the adjustment and the source(s) of the data;
   iii. Explain how the adjustment differs from the recommended adjustments in Mr. Ellis' testimony for income and investment returns.

ANSWER 03

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

The adjustments to the model are described in the referenced Rebuttal Testimony, at pages 6-30 to 6-31. The base case did not include any adjustment to the income and investment forecasts presented in Chapter 6, Customer Credit Mechanism and Investment Returns (D. Thomason; G. Allen), served August 7, 2020. As noted in the Rebuttal Testimony, alternative scenarios were run using alternative forecasts from certain intervenor testimony, as reflected in Chapter 10, Expert Rebuttal Regarding Customer Benefit (B. Cornell).

QUESTION 04

Section B.5 of Chapter 10 of Dr. Cornell's testimony for PG&E, beginning on p. 10-13, presents various "alternative version[s]" of the net present value calculations presented earlier in the chapter.

a. Please provide the results of any alternative versions that were considered that were not included in the testimony, including all data and workpapers for those alternative versions.

b. One of the alternative versions (p. 10-13) "presumes a wildfire liability that wipes out all PG&E taxable income in 2029."

    i. Please explain any and all reasons why this alternative version uses 2029 as the year for no taxable income.

    ii. Was an alternative version run in which taxable income was eliminated for any year prior to 2029?

ANSWER 04

a. PG&E objects to this request as vague and ambiguous, not relevant, and calling for privileged attorney work product. PG&E has produced or will produce in response to Question 6 in TURN data request 15, all workpapers for analyses that it presented in its rebuttal testimony.

b. See Answer to Question 2.b, above.