

PG&E HEARING EXHIBIT PGE-03

A.20-04-023

PG&E'S SECURITIZATION 2020

Chapter 3 Transaction Overview (Mari Becker)
Exhibit 3.1 Financing Order
Exhibit 3.2 Fixed Rate Charge

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 3

TRANSACTION OVERVIEW

WITNESS: MARI BECKER

PACIFIC GAS AND ELECTRIC COMPANY
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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 3**
3 **TRANSACTION OVERVIEW**
4 **WITNESS: MARI BECKER**

5 **A. Introduction**

6 This chapter describes Pacific Gas and Electric Company’s (PG&E)
7 proposed financing transaction and the considerations that determine the
8 proposed transaction structure. Attached as Exhibit 3.1 is an illustrative form of
9 financing order (the Financing Order) for the proposed transaction as described
10 in this chapter.¹ The remainder of this chapter is organized as follows:

- 11 • B Genesis of Transaction;
- 12 • C. Overview of Senate Bill (SB) 901;
- 13 • D. Timing and Sizing of the Proposed Transaction;
- 14 • E. Proposed Transaction Structure;
- 15 • F. Servicing the Recovery Bonds;
- 16 • G. Collection and Remittance of Fixed Recovery Charges (FRC);
- 17 • H. Recovery Bond Characteristics; and
- 18 • I. Transaction Costs and Use of Net Proceeds.

19 **B. Genesis of Transaction**

20 The transaction has its genesis in a series of agreements that provide for a
21 total of approximately \$25.5 billion at Plan Value² to settle all claims against
22 PG&E related to specified wildfires with tort claimants, insurance subrogation
23 claims holders, and public entities. The net proceeds of the proposed
24 securitization transaction will be used to pay or reimburse PG&E for the payment
25 of costs and expenses relating to the 2017 North Bay Wildfires.³ As a result of
26 the transaction, PG&E will retire \$6 billion of temporary utility debt and

1 Additional findings and rulings related to the relief requested in the application and supporting testimony will also be necessary but are not included in the Financing Order.

2 Approximately \$25.5 billion at Plan Value refers to PG&E’s total obligation with respect to the settlement of “Fire Claims,” as defined in Chapter 1, Introduction (D. Thomason) at note 9.

3 The 2017 North Bay Wildfires are described in Exhibit A to the Plan.

1 accelerate the second deferred payment of \$700 million to the Fire Victim Trust
2 (as defined in PG&E's Plan of Reorganization (the Plan)).

3 **C. Overview of SB 901**

4 On September 21, 2018, Governor Brown signed into law SB 901, which
5 added Sections 451.1 and 451.2, as well as Division 1, Part 1, Chapter 4, Article
6 5.8 (commencing with Section 850) to the Public Utilities Code (Pub. Util. Code).
7 Article 5.8 was later amended by Assembly Bill (AB) 1054 and AB 1513.
8 Section 451.2 and Article 5.8 authorize the issuance of recovery bonds. Some
9 of the critical relevant provisions of SB 901 are set forth below.

- 10 • **Customer Harm Threshold:** Pursuant to subdivision (b) of Section 451.2,
11 the California Public Utilities Commission (Commission) shall consider a
12 utility's financial status and determine the maximum amount the utility can
13 pay without harming ratepayers or materially impacting its ability to provide
14 adequate and safe service.
- 15 • **Stress Test:** In Decision (D.)19-06-027, the Commission adopted a
16 methodology for conducting a financial "Stress Test" to implement
17 subdivision (b) of Section 451.2. The Stress Test methodology may be
18 applied to 2017 wildfire costs and expenses recovery.
- 19 • **Recovery Bonds Authorized:** Subdivision (c) of Section 451.2 empowers
20 the Commission to issue a financing order authorizing securitization of the
21 amount of 2017 wildfire costs and expenses disallowed for recovery but
22 exceeding the Customer Harm Threshold. Paragraph (1) of Section 850,
23 subdivision (a), confirms that the Commission may authorize PG&E or an
24 affiliate to issue recovery bonds (Recovery Bonds) for recovery of the
25 amount of costs and expenses determined pursuant to subdivision (c) of
26 Section 451.2.
- 27 • **Nonbypassable Charge:** The Commission can impose nonbypassable
28 charges (which Article 5.8 refers to as "fixed recovery charges") on
29 "consumers" in PG&E's service territory to pay principal, interest, taxes, and
30 other recovery costs. Except for a limited number of exemptions, these
31 FRCs are applicable to all existing and future electric consumers in PG&E's
32 service territory as it exists as of the date of the financing order.
- 33 • **No Debt or Liability of the State:** Neither the State of California nor any
34 political subdivision thereof will be liable for any amounts associated with the

1 Recovery Bonds or the FRCs, and the State's credit and taxes shall not be
2 pledged to pay for the Recovery Bonds or associated costs.

- 3 • **Periodic True-Up Adjustments:** There shall be periodic true-up
4 adjustments of the FRCs using the true-up mechanism approved by the
5 Commission in the financing order (which shall be made at least annually
6 and may be made more frequently) as necessary to correct for any
7 overcollection or undercollection of the FRCs authorized by the financing
8 order and otherwise to ensure the timely and complete payment and
9 recovery of recovery costs over the authorized repayment term.
- 10 • **Irrevocable FRCs:** The Commission's financing order authorizing Recovery
11 Bonds, the FRCs, and amounts recoverable via the nonbypassable charges
12 shall be irrevocable by future Commissions.
- 13 • **Current Property Right:** Article 5.8 creates a separate and current
14 property right (Recovery Property) representing the right to receive the
15 revenues from the nonbypassable FRCs.
- 16 • **State Pledge:** The State of California pledges and agrees with PG&E,
17 owners of Recovery Property, Special Purpose Entities (SPE) that issue
18 Recovery Bonds, and holders of Recovery Bonds that the State shall neither
19 limit nor alter, except as otherwise provided with respect to the periodic true-
20 up adjustment pursuant to subdivision (g) of Section 850.1, the FRCs,
21 Recovery Property, the financing order or rights under the financing order
22 until the Recovery Bonds, together with the interest on the Recovery Bonds
23 and associated financing costs, are fully paid and discharged.
- 24 • **Timeline for Financing Orders and Appeals:** PG&E is filing this
25 application now with the Financing Order and ratemaking related testimony
26 in order to ensure ample time for the regulatory review process. But PG&E
27 is not seeking the Commission's approval of the Financing Order with this
28 application. This application asks the Commission to apply the Stress Test
29 and determine that not less than \$7.5 billion in 2017 catastrophic wildfire
30 costs and expenses exceeds the Customer Harm Threshold and can be
31 recovered through PG&E's proposed securitization transaction. PG&E will
32 file a second and subsequent application asking the Commission to enter a
33 financing order to authorize the transaction. PG&E intends to file the
34 subsequent application approximately 120 days before the anticipated

1 Commission decision date for this application and will ask that the
2 applications be consolidated, thereby facilitating a single Commission
3 decision on all issues. Once PG&E has filed the application to enter a
4 financing order and authorize the transaction, the Commission has 120 days
5 to act under Section 850.1(g). Under Section 1731, any application for the
6 Commission rehearing on any order or decision with respect to a
7 securitization financing order must be filed within 10 days of the date of the
8 issuance of the order or decision, and the Commission is to issue its
9 decision on any such application for rehearing within 210 days of the filing
10 for rehearing. Finally, under Section 1756, any appeal must be made
11 directly to the court of appeal or the California Supreme Court and must be
12 filed within 30 days after the Commission denies rehearing.

- 13 • **True Sale:** Article 5.8 authorizes the transfer of Recovery Property by
14 PG&E to another entity as an “absolute transfer” and “true sale,” provided
15 that the governing documentation expressly states that the transfer is an
16 “absolute transfer” and a “true sale.” The consumers’ obligation to pay the
17 FRCs is not contingent on receipt of the credit described in Chapter 6,
18 Customer Credit Mechanism and Investment Returns (D. Thomason;
19 G. Allen), and PG&E’s ability to pay the credit will not have an impact on the
20 Recovery Bonds, the Recovery Property, or the FRCs.

21 **D. Timing and Sizing of the Proposed Transaction**

22 PG&E requests authority for one or more series of Recovery Bonds totaling
23 \$7.5 billion to be sized and marketed to minimize costs. To attract a broad
24 range of investors, each series may be divided into multiple tranches, each with
25 its own scheduled final payment date and legal maturity date. A legal maturity
26 longer than the scheduled final payment date is a standard feature that allows
27 for delays in scheduled principal payments due to variations in the cash flows
28 from the Recovery Property. The Recovery Bonds would have scheduled final
29 payment dates of up to 30 years, and would use a modified mortgage-style
30 amortization schedule as further discussed below.

31 **E. Proposed Transaction Structure**

32 PG&E would form one or more SPEs, each wholly owned by PG&E, and
33 each SPE would issue one or more series of Recovery Bonds. In addition, as is

1 required for other securities, a trustee (the Bond Trustee) would be chosen. The
2 Bond Trustee, among other things, would be responsible for holding all of the
3 funds of each SPE. PG&E would transfer to the applicable SPE the Recovery
4 Property that consists of PG&E’s right, title, and interest in and to the FRCs,
5 including all rights to the true-up of the FRCs, collected from existing and future
6 electric consumers. The Recovery Bonds would be secured by the Recovery
7 Property as well as all other assets of the applicable SPE.

8 Consumers would pay principal, interest, and ongoing financing costs
9 associated with the Recovery Bonds through the FRC. The credit (Customer
10 Credit) provided by PG&E, as further described in Chapter 6, Customer Credit
11 Mechanism and Investment Returns (D. Thomason; G. Allen), is designed to
12 equal the FRC and make the Recovery Bonds rate-neutral to customers (as
13 defined in Chapter 1, Introduction (D. Thomason)).

14 The proposed transaction structure is necessary to ensure the highest
15 possible rated Recovery Bonds. The transaction will be structured to address
16 three issues—Credit Ratings, Taxes, and Accounting—discussed below.

17 **1. Credit Rating Issues**

18 Unambiguous support in regulatory approvals and legislative language
19 will help ensure that the Recovery Bonds receive the highest possible rating
20 from nationally recognized credit rating agencies. The credit analysis
21 conducted by the rating agencies of the Recovery Bonds centers on the
22 extent to which the structure of the transaction isolates the securitized
23 assets (Recovery Property) from the credit risks of the originating company
24 (PG&E), and on the credit quality of those assets themselves. The credit
25 ratings would be based on several factors, including those listed in
26 Chapter 2, Background on Utility Securitization (S. Lunde), and those
27 described below.

28 **a. Bankruptcy Opinions**

29 In connection with the transaction, PG&E would provide to the credit
30 rating agencies an opinion from its legal counsel that: (1) the transfer of
31 the Recovery Property from PG&E to the applicable SPE constitutes a
32 “true sale” for bankruptcy purposes; and (2) such SPE would not be
33 substantively consolidated with PG&E for bankruptcy purposes. This

1 legal opinion would provide assurance to the credit rating agencies that
2 each SPE's assets (including Recovery Property) would not be part of
3 PG&E's bankruptcy estate, and thus not be available to PG&E's
4 creditors, should PG&E subsequently commence bankruptcy. Instead,
5 this revenue stream would continue to be collected for the applicable
6 SPE, which has pledged it to investors to pay Recovery Bond debt
7 service and other costs.

8 PG&E is working with Citigroup Global Markets Inc., its structuring
9 advisor, to structure the Recovery Bond transaction, taking into account
10 the rating agencies' criteria, so that satisfactory bankruptcy
11 non-consolidation and true sale opinions can be delivered to the rating
12 agencies. Among other things, this would involve the following:

- 13 • The monthly bills to all electric consumers would provide notice of
14 the portion of the bill attributable to the FRC and would notify the
15 consumer that the FRC is being collected by PG&E on behalf of the
16 SPE to which it has been sold; and
- 17 • PG&E, acting as servicer of the Recovery Property on behalf of the
18 applicable SPE, would be paid a servicing fee. Furthermore, the fee
19 for a third party servicer must be adequate to attract an independent
20 substitute servicer in the event PG&E fails to perform satisfactorily
21 as servicer.

22 With these structural characteristics, the applicable SPE and its
23 assets would be considered bankruptcy-remote. Bankruptcy-remote
24 means that: (a) in the event of a bankruptcy of PG&E, such SPE's
25 assets would be separate and not subject to the claims of PG&E's
26 creditors; and (b) since the only permitted activity of such SPE is related
27 to the issuance and repayment of Recovery Bonds in connection with
28 the Recovery Property, and such SPE would be structured to avoid
29 voluntary declaration of bankruptcy, the possibility of an SPE bankruptcy
30 would be de minimis.

31 **b. FRC Characteristics**

32 Article 5.8 provides that the FRCs would be both irrevocable and
33 nonbypassable, which assures Recovery Bond investors that the FRCs
34 would not be interrupted, eliminated, or avoided by consumers in

1 PG&E's service territory. Except for specified exemptions in
2 Section 850.1(i), the FRCs would be applicable to all existing and future
3 electric consumers in PG&E's service territory as it exists as of the date
4 of the financing order.

5 The FRCs would be imposed on all non-exempted consumers on an
6 equal cents per kilowatt-hour (kWh) basis across all consumer classes,
7 which is preferable from a credit rating perspective to a flat charge or a
8 charge imposed on a limited number of consumer groups. This is due to
9 the fact that an equal cents per kWh basis charge would remain equal
10 for all consumers irrespective of shifts in the relative size of the
11 consumer classes because there is no limitation to how much of the
12 total FRC revenues must come from a particular consumer class.

13 **c. FRC True-Up Mechanism**

14 Article 5.8 requires the Commission to adjust the FRCs at least
15 annually, and more often if necessary, to ensure timely recovery of
16 Recovery Bond principal, interest, and other financing costs. To satisfy
17 this statutory requirement for a periodic true-up adjustment of the FRCs,
18 PG&E proposes that the FRCs be adjusted: (i) annually to correct any
19 overcollection or undercollection of FRCs; and (ii) more frequently, if
20 necessary, to ensure that the FRCs provide sufficient funds to make
21 timely payments of Recovery Bond principal, interest, and other
22 financing costs.

23 PG&E requests that the Commission approve the use of an advice
24 letter process to implement the periodic true-ups. This well-established
25 approach has been used for PG&E's Rate Reduction Bonds and Energy
26 Recovery Bonds and would create efficiencies for the Commission and
27 its staff. Under PG&E's proposal, PG&E would file annual Routine
28 True-Up Mechanism Advice Letters at least 15 days before the last day
29 of February until all principal, interest, and other related costs have been
30 paid in full. These annual Routine True-Up Mechanism Advice Letters
31 would be based on the pro forma example in Attachment 3 to the
32 Financing Order. These filings are meant to ensure that the actual FRC
33 revenues are neither more nor less than required to repay Recovery
34 Bond principal, interest, and financing costs. Because these annual

1 Routine True-Up Mechanism Advice Letters should be ministerial,
2 PG&E proposes that the revised FRCs in the annual Routine True-Up
3 Mechanism Advice Letters (assuming timely filing by PG&E with the
4 Commission) go into effect automatically on March 1st immediately
5 following the filing.

6 PG&E would also implement, if it deems necessary, a semi-annual
7 true-up adjustment. The semi-annual true-up adjustment would be used
8 if PG&E forecasts that FRC collections would be insufficient to make all
9 scheduled payments of Recovery Bond principal, interest, and other
10 recovery costs on a timely basis during the current or next succeeding
11 payment period or to replenish any draws upon the capital subaccount.
12 If PG&E determines that a semi-annual true-up adjustment is necessary,
13 PG&E may file an interim Routine True-Up Mechanism Advice Letter at
14 least 15 days before August 31st to adjust the FRC. PG&E proposes
15 that the revised FRC go into effect automatically on September 1st
16 immediately following the filing.

17 PG&E may also file interim Routine True-Up Mechanism Advice
18 Letters at such other times as PG&E deems necessary. For example, if
19 PG&E forecasts that FRC collections may be insufficient to make
20 scheduled payments of Recovery Bond principal, interest, and other
21 financing costs on a timely basis during the current or next succeeding
22 payment period, PG&E may file an interim Routine True-Up Mechanism
23 Advice Letter instead of waiting until the next normally scheduled date
24 for filing such advice letter. PG&E may file an interim Routine True-Up
25 Mechanism Advice Letter at least 15 days before the end of a calendar
26 month, and the revised FRCs would be effective automatically on the
27 first day of the following calendar month. The interim Routine True-Up
28 Mechanism Advice Letters would be based on the *pro forma* example in
29 Attachment 3 to the Financing Order.

30 PG&E may file annual, semi-annual, and interim Routine True-Up
31 Mechanism Advice Letters until the Recovery Bonds and other financing
32 costs are paid off. All true-up adjustments to the FRCs would ensure
33 that the FRCs generate sufficient revenues to make timely payments of
34 all scheduled (or legally due) payments of principal (including, if any,

1 prior scheduled but unpaid principal payments), interest, and other
2 financing costs to be paid with FRC revenues. Such amounts are
3 referred to as the “Periodic Payment Requirement.” True-Up filings
4 would be based upon the cumulative differences, regardless of the
5 reason, between the Periodic Payment Requirement and the actual
6 amount of FRC remittances to the Bond Trustee for the series of
7 Recovery Bonds. This would result in adjustments to the FRCs to
8 correct for overcollections or undercollections. In the case of any
9 adjustments occurring after the final scheduled payment date for a
10 series of Recovery Bonds, there would be no less frequently than
11 quarterly adjustments to the FRCs to correct for overcollections or
12 undercollections by the earlier of the end of the then-current calendar
13 year or the legal maturity date for the series.

14 The Routine True-Up Mechanism Advice Letters and Non-Routine
15 True-Up Mechanism Advice Letters would calculate a revised FRC for
16 each series of Recovery Bonds using the cash flow model described in
17 Attachment 1 to the Financing Order, or a revised cash flow model as
18 described in a Non-Routine True-Up Mechanism Advice Letter, as
19 applicable, except that:

- 20 • The Periodic Payment Requirement for the next year would be:
21 (i) increased or decreased by the amount by which actual
22 remittances of FRC revenues to the Bond Trustee collection account
23 through the end of the month preceding the month of calculation
24 was less than or exceeded the Periodic Payment Requirement for
25 the prior period; and (ii) to the extent not included in (i), decreased
26 by the amount projected to be held in the excess funds subaccount
27 at the beginning of the next payment period.
- 28 • Forecasted sales for the remainder of the current year and of the
29 subsequent year, if applicable, of the transaction would be revised
30 to reflect PG&E’s latest estimate of sales.
- 31 • Estimated ongoing financing costs would be modified to reflect
32 changed circumstances.

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

8 PG&E may also submit Non-Routine True-Up Mechanism Advice
9 Letters to propose revisions to the logic, structure, and components of
10 the cash flow model described in Attachment 1 to the Financing Order.
11 Non-Routine True-Up Mechanism Advice Letters would be filed at least
12 90 days before the date when the proposed changes would become
13 effective, with the resulting changes effective on the effective date
14 identified in the Non-Routine True-Up Mechanism Advice Letter. PG&E
15 proposes that the Energy Division prepare for the Commission's
16 consideration a resolution that adopts, modifies, or rejects the proposed
17 revisions to the cash flow model. The public would have an opportunity
18 to review and protest a Non-Routine True-Up Mechanism Advice Letter
19 in accordance with Commission procedures to the extent allowed by
20 Section 850.1(e). Absent a Commission resolution that adopts,
21 modifies, or rejects the Non-Routine True-Up Mechanism Advice Letter,
22 PG&E may implement FRC adjustments proposed in a Non-Routine
23 True-Up Mechanism Advice Letter on the effective date identified in the
24 letter.

25 Prompt implementation of the Routine True-Up Mechanism Advice
26 Letters is critical to the rating agencies' determination of: (1) the
27 reliability and adequacy of funds to make debt service payments, and
28 (2) whether other credit enhancements would be required to obtain the
29 highest possible credit ratings. Since it is important that the Recovery
30 Bonds have the highest possible credit rating and because the Routine
31 True-Up Mechanism Advice Letters should be ministerial, the FRC
32 adjustments proposed in Routine True-Up Mechanism Advice Letters
33 would be implemented automatically as described previously. Parties
34 would have limited notice and opportunity to protest the Routine

1 True-Up Mechanism Advice Letters, and the Energy Division would
2 review the Routine True-Up Mechanism Advice Letters only to confirm
3 the mathematical accuracy of the proposed true-up adjustment.
4 Therefore, even though PG&E proposes that the Commission
5 establishes a mechanism to implement revisions to the FRCs
6 automatically, all FRC-related Routine True-Up Mechanism Advice
7 Letters would be subject to protest, review, correction, and refund to the
8 extent allowed by Section 850.1(e).

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

15 **d. Credit Enhancement**

16 The SPE may obtain credit enhancements for the Recovery Bonds
17 in the form of an overcollateralization subaccount if the credit rating
18 agencies require overcollateralization to receive the highest possible
19 credit rating on the Recovery Bonds, or if the all-in cost of the Recovery
20 Bonds with the overcollateralization would be less than without the
21 overcollateralization. The required amount of overcollateralization may
22 be collected via the FRCs. Absent extraordinary circumstances, PG&E
23 does not anticipate being required by the credit rating agencies to
24 establish an overcollateralization subaccount, but to the extent such an
25 account is required, the exact amount and timing of its collection via the
26 FRCs will be determined before each series of Recovery Bonds is
27 issued.

28 The overcollateralization requirement, if any, would be sized based
29 upon input from the rating agencies indicating the amount necessary to
30 achieve the highest possible credit rating. Any overcollateralization that
31 is collected from consumers in excess of total debt service and other
32 recovery costs would be the property of the SPE. Upon payment of the
33 principal amount of all Recovery Bonds and the discharge of all
34 obligations that may be paid by use of the FRCs, the increase in value

1 of PG&E's equity interest in the SPE related to the balance in any
2 overcollateralization subaccount or any other subaccount maintained by
3 the SPE (other than the capital subaccount) would be returned to PG&E
4 and then credited to consumers through normal ratemaking processes.
5 All amounts in the capital subaccount, including any investment
6 earnings, will be released to the SPE for payment to PG&E.

7 PG&E may also obtain the following types of credit enhancements,
8 but only if required by the credit rating agencies to achieve the highest
9 possible credit rating on the Recovery Bonds, or if the all-in cost of the
10 Recovery Bonds with these other credit enhancements would be less
11 than without the enhancements: bond insurance, letters of credit, and
12 similar instruments. In addition, the bond collateral held by the Bond
13 Trustee would be available as a credit enhancement. If the equity
14 capital is drawn upon, it may be replenished from future FRCs.
15 Investment earnings on the equity contribution would also be available
16 to pay for Recovery Bond principal, interest, fees, and expenses.

17 **e. FRC Revenue Forecasts**

18 In addition to evaluating the effectiveness of the FRC true-up
19 mechanism, the rating agencies would also analyze PG&E's ability to
20 make accurate forecasts of energy usage by its community choice
21 aggregation, bundled and direct access electric consumers, by looking
22 at historic data on forecasted versus actual usage. The rating agencies
23 are expected to apply a wide range of assumptions on uncollectibles
24 and energy usage and the effectiveness of the true-up mechanism to
25 assess how vulnerable FRC revenues are to changes in assumptions.
26 This stress analysis is important, and the authorized frequency and
27 prompt Commission implementation of the true-up mechanism are
28 critical in reassuring the rating agencies that the Recovery Bond debt
29 service would be paid.

30 **f. Billing by Third Parties**

31 The rating agencies would also focus on the financial strength and
32 the billing and collecting experience of the servicer. It is possible that
33 third parties would be billing and collecting payments from some of the

1 consumers that would pay the FRC. In order to ensure that the
2 Recovery Bond credit rating would not be adversely affected, PG&E
3 requests that the Commission continue to require that the following
4 principles be applied in establishing minimum standards for all electric
5 service providers (ESP) or other third parties (Third Party Billers) that bill
6 and collect the FRC from electric consumers.

- 7 • Regardless of who would be responsible for performing the billing
8 and collection functions, electric consumers would continue to be
9 responsible for the FRCs. Electric consumers must always be
10 responsible for paying the FRC, regardless of who actually bills and
11 collects that charge from those consumers. This clear and
12 continuing consumer obligation is unaffected by Third Party Billers
13 billing and collecting the FRC and then paying their aggregated FRC
14 collections to PG&E.
- 15 • Even if a Third Party Biller performs the metering and billing
16 functions for the FRC, PG&E must have access to information
17 regarding consumer usage and billings in order to properly report
18 FRC revenues to the Bond Trustee as required under its Servicing
19 Agreement.
- 20 • Appropriate shut-off policies must be maintained to minimize
21 investors' credit risk in the case of non-payment of the FRC by Third
22 Party Billers or specific consumers. Current shut-off policies must
23 be maintained to allow action by PG&E in the case of non-payment
24 of the FRC, regardless of who is responsible for billing and
25 collecting the FRC; provided, however, that temporary changes in
26 utility shut-off procedures due to emergencies, such as the current
27 COVID-19 pandemic, will be permitted.
- 28 • Appropriate standards, procedures, and credit policies must be in
29 place to ensure that the collection of FRCs by a Third Party Biller
30 does not result in an increased risk to Recovery Bond investors.
31 Such standards should be consistent with existing rating agency
32 standards governing billing, collecting, and reporting for servicers in
33 similar utility asset-backed securities transactions. Rating agencies
34 and potential Recovery Bond investors would see an additional layer

1 of risk if Third Party Billers with less than investment grade credit
2 ratings collect and hold FRCs prior to remittance to PG&E. To
3 ensure that the risk associated with Third Party Biller default is
4 mitigated, rating agencies would want to see that appropriate credit
5 policies are in place. For example, if a Third Party Biller conducting
6 metering and billing were not rated or were rated below investment
7 grade, the rating agencies might require that all consumer
8 collections be remitted daily or, alternatively, might require security
9 deposits, letters of credit, or other forms of credit enhancement.
10 Furthermore, a Third Party Biller conducting metering and billing
11 must have systems capabilities and procedures in place that are
12 necessary to bill, collect, and report FRCs promptly.

- 13 • In the event of default by a Third Party Biller conducting metering
14 and billing, billing and collecting responsibilities must be promptly
15 transferred to another party to minimize potential losses of FRC
16 revenues. If a Third Party Biller defaults on its timely payments to
17 PG&E of FRC collections, the rating agencies would expect prompt
18 action to replace the defaulting entity to assure that the FRCs paid
19 by consumers could be passed on to Recovery Bond investors.
20 PG&E's current electric rules meet this requirement by requiring that
21 defaulting Third Party Billers be replaced by PG&E for metering and
22 billing within two months.

23 Maintaining these guidelines is important to achieving the highest
24 possible credit rating and the minimum ratepayer cost associated with
25 the Recovery Bond issuance. As a result, PG&E requests that the
26 Commission continue to require that PG&E maintain appropriate
27 procedures for Third Party Billers conducting metering and billing as set
28 forth in PG&E's Electric Rule 22.P., "Credit Requirements."

29 **g. Legislative and Regulatory Risks**

30 Additional factors the rating agencies would consider when rating
31 the Recovery Bonds are the legislative risks associated with Article 5.8,
32 including the risk that the authorizations or requirements therein could
33 be overturned or abolished in the future by any means, including voter
34 initiatives. Because SB 901 was passed by very high margins in the

1 California Legislature, PG&E expects the rating agencies to conclude
2 that the legislative risk associated with the transaction should not affect
3 the Recovery Bond credit ratings. Additionally, the Governor has
4 publicly stated that PG&E's proposed rate-neutral securitization
5 pursuant to SB 901 would be "in the public interest, as it would
6 strengthen the going-forward business and support the reorganized
7 [u]tility's ability to provide safe, reliable, affordable and clean energy to
8 its customers."⁴ Furthermore, the support of key consumer
9 constituencies in both the legislative and regulatory process should also
10 reassure the rating agencies that the voter initiative risk should not affect
11 the Recovery Bond ratings.

12 The rating agencies would also analyze the regulatory risk
13 associated with the transaction. As stated in Article 5.8, the
14 Commission's financing orders and the FRC would be irrevocable. The
15 Commission would not have authority, either by rescinding, altering or
16 amending the financing order or otherwise, to revalue or revise for
17 ratemaking purposes the recovery costs or the costs of recovering,
18 financing, or refinancing the recovery costs, or in any way to reduce or
19 impair the value of Recovery Property either directly or indirectly by
20 taking FRCs into account when setting other rates.

21 In the event of a future municipalization or an acquisition of PG&E's
22 facilities by an entity that does not set retail rates subject to the
23 Commission's regulation, the Commission would ensure continued
24 payment of FRCs and funding of the Customer Credit Trust (as defined
25 in Chapter 6, Customer Credit Mechanism and Investment Returns
26 (D. Thomason; G. Allen)) for the Customer Credit by placing conditions

⁴ See Governor Gavin Newsom's Statement in Support of Debtors' Motion Pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 9019 for Entry of an Order (I) Approving Case Resolution and Contingency Process and (ii) Granting Related Relief, *In re PG&E Corporation*, Case No. 19-30088 (Bankr. N.D. Cal. Mar. 20, 2020), ECF No. 6402.

1 on the Commission's approval of the transaction.⁵ By conditioning its
2 approval on the continued payment of FRCs and funding of the
3 Customer Credit Trust for the Customer Credit, the Commission's
4 approach would respect the State's legal obligation not to limit or alter
5 the FRCs until the Recovery Bonds are fully paid.⁶

6 Nevertheless, the quality of the financing order, particularly with
7 regard to the initial tariff implementation, the true-up mechanism and
8 requirements for Third Party Billers, would be carefully reviewed by the
9 rating agencies when they determine the rating of the Recovery Bonds.

10 **h. Tenor Risks**

11 All else being equal, the longer the final maturity of a series of
12 Recovery Bonds, the greater the risk to investors. The ability to obtain
13 the highest possible credit ratings with the contemplated 30-year tenor
14 will to a very large extent be driven by the strength of the financing order
15 and the supporting legislation.

16 **2. Tax Issues**

17 The transaction would be structured to be a "Qualifying Securitization"
18 pursuant to IRS Revenue Procedure 2005-62 such that: (1) each SPE
19 would be a wholly owned subsidiary of PG&E capitalized with an equity
20 interest of at least 0.5 percent of the initial aggregate principal amount of
21 Recovery Bonds issued; (2) the Recovery Bonds would be secured by the
22 Recovery Property; (3) the FRCs would be nonbypassable and payable by
23 consumers within PG&E's service territory; and (4) payments on the
24 Recovery Bonds would be on a semi-annual basis except for the initial

5 See SB 550 (2019); Pub. Util. Code §§ 851(a), (b)(1), 854.2(b)(1)(F). Taken together, those provision require the Commission's authorization for any sale or disposition of the utility's system or property (via a transaction greater than \$5 million), including for any "voluntary or involuntary change in ownership of assets from an electrical or gas corporation to ownership by a public entity."

6 See Pub. Util. Code § 850.1(e) ("The State of California does hereby pledge and agree with the electrical corporation, owners of recovery property, financing entities, and holders of recovery bonds that the state shall neither limit nor alter, except as otherwise provided with respect to the true-up adjustment of the FRCs pursuant to subdivision (i), the FRCs, any associated fixed recovery tax amounts, recovery property, financing orders, or any rights under a financing order until the recovery bonds, together with the interest on the recovery bonds and associated financing costs, are fully paid and discharged ...").

1 payment period which may be longer. As a “Qualifying Securitization,” the
2 establishment of the Recovery Property, the transfer of Recovery Property
3 to the applicable SPE, and the issuance of Recovery Bonds would not
4 cause current recognition of gross income to PG&E for federal income tax
5 purposes. The transfer would not be treated as a sale for tax purposes, and
6 the Recovery Bonds would be treated as PG&E’s own debt for tax purposes.
7 The Recovery Bond transaction would be legally separate and distinct from
8 the Customer Credit, and therefore should be legally irrelevant to the
9 Recovery Bond transaction’s status as a “Qualifying Securitization.”

10 **3. Accounting Issues**

11 Each SPE’s Recovery Bonds would be recorded as debt on PG&E’s
12 consolidated balance sheet. This is either positive or neutral to rating
13 agency calculations of debt depending on whether the rating agency
14 considers the Recovery Bond debt as on or off balance sheet for credit
15 purposes, as further discussed in Chapter 5, Stress Test Methodology
16 (D. Thomason; J. Sauvage). PG&E would include a note to its financial
17 statements disclosing that the Recovery Bonds are secured solely by
18 Recovery Property and related collateral subaccounts (including applicable
19 SPE equity); that Recovery Bond investors have no recourse to any assets
20 or revenues of PG&E; that while such SPE is a subsidiary of PG&E, it is
21 legally separate from PG&E; that the assets of such SPE are not available
22 to creditors of PG&E; and that the Recovery Property is not legally an asset
23 of PG&E.

24 **F. Servicing the Recovery Bonds**

25 PG&E intends to act as servicer for the Recovery Property that would be
26 pledged to secure the Recovery Bonds, as reflected in a Servicing Agreement
27 between PG&E and the applicable SPE. In its capacity as servicer, PG&E
28 would be responsible for reading consumer meters, submitting true-up
29 adjustment letters, and billing, collecting, and remitting the FRC. To the extent
30 consumers of electricity in PG&E’s historic service territory are billed by Third
31 Party Billers, PG&E proposes to bill these Third Party Billers for the FRC, with
32 the Third Party Billers being obligated to remit FRC collections to PG&E. PG&E
33 would remit estimated FRC collections to date, on behalf of the applicable SPE,

1 to the Bond Trustee. The Bond Trustee would be responsible for making
2 principal and interest payments to Recovery Bond investors and paying other
3 financing costs associated with the transaction. These other financing costs
4 would include, among other costs, fees for servicing the Recovery Bonds,
5 described in further detail below, Bond Trustee fees, administration fees, legal
6 fees and expenses, accounting fees, and rating agency fees. Bond Trustee
7 fees, other ongoing financing costs (excluding third party servicing fees), and an
8 allowance for uncollectibles are expected to be approximately \$4.1 million in the
9 first year, \$5.3 million in the second and third years, and \$5.6 million per year
10 thereafter.⁷

11 **G. Collection and Remittance of FRCs**

12 The FRC would be comprised of the following components: (1) Recovery
13 Bond principal and interest; (2) Bond Trustee fees; (3) administration and
14 servicing fees; (4) allowance for uncollectibles; (5) replenishing the capital
15 subaccount; (6) other financing costs; (7) taxes, if any, imposed on, or resulting
16 from, the FRCs; and (8) credit enhancements to the extent required by the rating
17 agencies (see Exhibit 3.2).

18 The FRC is expected to be disclosed on the back of the monthly bill of
19 electric consumers beginning when the first series of the Recovery Bonds is
20 issued. Except possibly in connection with PG&E consumers who become
21 consumers of local publicly-owned utilities, and except possibly in connection
22 with Third Party Billers conducting billing and metering, discussed above, PG&E
23 would be responsible for reading consumer meters, billing, and collecting the
24 FRC from consumers throughout PG&E's service territory. PG&E also would be
25 responsible for remitting the FRC revenues to the Bond Trustee. PG&E would
26 have sold its right to FRC revenues and would be legally obligated to remit
27 100 percent of its FRC collections to the Bond Trustee.

28 PG&E expects to remit estimated FRC collections to the Bond Trustee on a
29 daily basis to avoid an adverse impact on the Recovery Bond credit ratings.
30 Estimated remittances would be based upon the collection curve included in the

⁷ There will also be a collection lag gross up payment of \$63.2 million in the first year based on the assumption that a 45 day accounts receivables lag must be pre-collected to ensure the SPE can service the debt in the first year, and there will be a corresponding reversal of this \$63.2 million payment in the final year.

1 cash flow model described in Attachment 1 to the Financing Order. As servicer,
2 PG&E would receive the FRC collections daily and would commingle FRC
3 collections with other consumer payments until the funds are remitted to the
4 Bond Trustee. PG&E would prepare a monthly servicing report for the Bond
5 Trustee detailing the estimated FRC collections during each month over the life
6 of the Recovery Bonds.

7 The Bond Trustee (acting on behalf of the SPE) would have a legal right to
8 only the amount of actual FRC cash collections. Over the life of the Recovery
9 Bonds, PG&E will prepare a monthly report for the Bond Trustee that shows the
10 estimated FRC revenues by month over the life of the Recovery Bonds.
11 Estimated FRC collections will be based on historic customer payment patterns.
12 Six months after each monthly billing period, PG&E will compare the actual FRC
13 revenues to the estimated FRC revenues that have been remitted to the Bond
14 Trustee for that month during the intervening 6-month period. The difference
15 between the estimated FRC collections and the actual FRC collections will be
16 netted against the following month's remittance to the Bond Trustee. The
17 6-month lag between the first remittance of estimated FRC revenues and the
18 final determination of actual FRC cash collections allows for the collection
19 process to take its course and is consistent with PG&E's practice of waiting
20 six months after the initial billing before writing off unpaid customer bills.
21 Amounts collected that represent partial payments of a consumer's bill would be
22 allocated between the Bond Trustee and PG&E based on the ratio of the portion
23 of the billed amount allocated for the FRC to the total billed amount. This
24 allocation is an important bankruptcy consideration in determining the true-sale
25 nature of the transaction. Similar allocations have been made for other charges
26 collected by PG&E on behalf of other entities, including the Energy Recovery
27 Bond- and Rate Reduction Bond-related charges.

28 The Bond Trustee would retain all FRC collections until it makes scheduled
29 principal and interest payments and payments of ongoing financing costs to the
30 appropriate parties. These distributions are expected to be made on a
31 semi-annual basis (except for the initial payment period, which may be longer or
32 shorter). The Bond Trustee would hold all FRC collections received from PG&E
33 between the remittance dates and distribution date in a collection account. The
34 collection account would have two subaccounts: (1) the capital subaccount to

1 hold equity contributed by PG&E and (2) the excess funds subaccount to hold
2 investment earnings and funds collected in excess of amounts necessary to pay
3 debt service and Recovery Bond costs on any given distribution date. The Bond
4 Trustee would invest all funds in the collection account and subaccounts in
5 investment grade short-term debt securities that mature on or before the next
6 distribution date. Investment earnings would be retained in the collection
7 account to pay debt service or other Recovery Bond costs on a distribution date.
8 If funds, other than investment earnings from amounts held in the capital
9 subaccount, remain in the collection account after distributions are made on a
10 given distribution date, they would be credited to the excess funds subaccount of
11 the collection account. These amounts in the excess funds subaccount as well
12 as the capital subaccount would be available to pay debt service or other
13 ongoing financing costs as they come due. At the time of the next scheduled
14 true-up filing, the excess funds subaccount balance would be used to offset the
15 revenue requirement for the FRC true-up calculation.

16 Investment earnings in the capital subaccount are expected to be paid by
17 the Bond Trustee to the applicable SPE on each distribution date, except in the
18 unlikely event that these funds would be needed to pay Recovery Bond interest
19 or principal or any other ongoing financing costs.

20 As servicer, PG&E would be responsible for filing with the Commission for
21 any necessary FRC adjustments as part of the true-up mechanism. As
22 discussed above, PG&E would file for adjustments at least annually and more
23 frequently, if necessary.

24 As previously mentioned, the applicable SPE would be required to pay
25 PG&E a servicing fee that constitutes a fair and reasonable price in order to
26 obtain the bankruptcy opinions. The Bond Trustee would pay this servicing fee
27 to PG&E as servicer from FRC collections. PG&E expects to charge an annual
28 servicing fee of 0.05 percent of the initial principal amount to cover PG&E's
29 incremental costs and expenses in servicing the Recovery Bonds. In the event
30 that PG&E fails to perform its servicing functions satisfactorily, as set forth in the
31 Servicing Agreement, or is required to discontinue its billing and collecting
32 functions, an alternate servicer acceptable to the Bond Trustee, acting on behalf
33 of the Recovery Bond holders and approved by the Commission, would replace
34 PG&E and assume such billing and collecting functions. In the event PG&E is

1 replaced and the new servicer must bill only the FRC instead of the entire
2 consumer bill, servicing fees would be up to 0.60 percent of the initial Recovery
3 Bond principal amounts. As discussed above and in Chapter 2, Background on
4 Utility Securitization (S. Lunde), the credit quality and expertise in performing
5 servicing functions are important considerations when appointing an alternate
6 servicer to ensure the Recovery Bond credit ratings are maintained.

7 If PG&E no longer performs servicing functions, the servicing fee would be
8 paid directly to the alternate servicer by the Bond Trustee.

9 **H. Recovery Bond Characteristics**

10 PG&E is working with its financial advisors to analyze the different
11 structuring possibilities for the Recovery Bonds. The number of tranches, as
12 well as the principal amount, scheduled final payment dates, and legal maturity
13 dates of each tranche would be determined at the time each series of Recovery
14 Bonds is priced, to reduce, to the maximum extent possible, the rates that
15 consumers within PG&E's service territory would pay. While Recovery Bonds
16 are expected to be an attractive investment alternative to traditional ABS
17 investors, these securities would also be marketed to corporate debt investors
18 that are buyers of utility issues and may see Recovery Bonds as an attractive
19 security. Efforts would be made to bring in new investor groups with the
20 objective of lowering the all-in cost as demand for Recovery Bonds is increased.

21 Interest rates would be fixed or floating as determined at the time of
22 issuance to provide a lower all-in cost of the Recovery Bonds. Any floating rate
23 exposure would be converted to a synthetic fixed rate with swaps. The debt
24 service in the FRCs would be based on the resulting synthetic fixed interest rate,
25 so consumers would not have any significant floating rate risk. The issuance of
26 any class of floating interest rate Recovery Bonds would only occur if the
27 resulting all-in costs of the Recovery Bonds, including the cost of creating a
28 synthetic fixed rate, would be less than what would be available for comparable
29 maturities in the fixed rate market and if the swap would not have a negative
30 impact on the overall Recovery Bond credit rating.

31 PG&E proposes to amortize the Recovery Bonds using mortgage style
32 amortization, consistent with the most recent PG&E securitization, over
33 30 years, with equal annual customer payments of approximately \$395 million.
34 But in the first two and a half to three years (2021-2023), the annual customer

1 payments will be approximately \$305 million. The weighted average life of the
2 debt is assumed to be about 17 years with an average interest rate of
3 approximately 2.9 percent.⁸

4 A series of Recovery Bonds may have a first payment period longer or
5 shorter than other payment periods. As summarized above, amortization of
6 principal may be deferred in part in connection with the scheduled payment of
7 debt service on each series of Recovery Bonds during the first few years. Each
8 separate Recovery Bond tranche would be priced based on its average life,
9 determined by the principal amortization schedule at the time of issuance. The
10 pricing would be a basis point spread over the swap rate or the rate on United
11 States Treasury Notes with a comparable average life.

12 With respect to the Commission's role, the Commission has historically
13 reviewed structure and pricing terms of prior securitization transactions through
14 an issuance advice letter process. Consistent with that past practice, the
15 Financing Order attached to the April 30, 2020 testimony and updated here
16 provides for a process where an Issuance Advice Letter is filed after pricing, but
17 before closing, to allow the Commission to review and approve the final terms of
18 the Recovery Bonds and set the initial charge. PG&E further represents that, if
19 requested, it will update the Commission throughout the structuring and pricing
20 process to ensure timely final approval of the Recovery Bond transaction
21 through the Issuance Advice Letter process.

22 **I. Transaction Costs and Use of Net Proceeds**

23 PG&E estimates that the issuance costs associated with the proposed
24 Recovery Bonds would be approximately \$36 million to \$57 million. These
25 issuance costs include underwriting fees and expenses, legal fees and
26 expenses, rating agency fees, Securities and Exchange Commission registration
27 fees, the Commission's fees and expenses, accounting fees and expenses, up
28 front Bond Trustee fees and expenses, printing and EDGARizing costs, Section
29 1904 fees, original issue discount and other miscellaneous costs. PG&E would
30 not include any of its employees' labor costs as Recovery Bond issuance costs.

⁸ These numbers are based on current estimates of what PG&E may be able to obtain in the market at the time PG&E issues the securitized debt. The amount of securitized debt issued will not be greater than \$7.5 billion but the tenor and interest rate may vary at the time of issues.

1 As provided for in Sections 850(b)(4), (7), these financing costs would be
2 recoverable through the Recovery Bond transaction.

3 These fees would be appropriate in light of the complexity of this transaction
4 and the long lead-time necessary to develop and bring this transaction to a
5 close. These fees would be less than one percent of the initial Recovery Bond
6 principal amount, in line with the fee percentage in other complex utility
7 securities such as pollution control bonds, project financings and leveraged
8 preferred stock issues. When each Recovery Bond series is sized, issuance
9 costs would be estimated. And after all costs are paid by the applicable SPE,
10 any proceeds not used for Recovery Bond issuance costs would be credited to
11 the excess funds subaccount and used to offset the revenue requirement in the
12 next FRC true-up calculation. In the event that the actual bond issuance costs
13 exceed the estimated amount, the shortfall amount may be recovered in the next
14 periodic true-up adjustment for the FRCs.

15 PG&E would use the net proceeds received from the sale of the Recovery
16 Bonds to pay or reimburse PG&E for the payment of costs and expenses
17 relating to the 2017 North Bay Wildfires. Section 850(a)(1) permits securitization
18 as a mechanism to recover costs and expenses related to catastrophic wildfires
19 ignited in 2017 as determined pursuant to Section 451.2(c).

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
EXHIBIT 3.1
FORM OF FINANCING ORDER FOR
PROPOSED SECURITIZATION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Pacific Gas and Electric Company for: (1) A Finding that the Recovery of Certain Catastrophic Wildfire Amounts Through Securitization and the Imposition of Fixed Recovery Charges as Determined Pursuant to Subdivision (c) of Section 451.2; (2) Authority to Sell or Assign Recovery Property to One or More Financing Entities; (3) Authority to Service Recovery Bonds on Behalf of Financing Entities; (4) Authority to Establish Fixed Recovery Charges Sufficient to Recover Recovery Costs; (5) Authority to Establish a Customer Credit Trust for Purposes of Holding Amounts to Pay a Credit to Consumers; 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**

THIS FORM OF FINANCING ORDER IS ATTACHED TO PROVIDE NOTICE OF THE FINDINGS AND RULINGS NECESSARY TO ISSUE THE SECURITIZED BONDS. ADDITIONAL FINDINGS AND RULINGS RELATED TO THE RELIEF REQUESTED IN THE APPLICATION TO APPLY THE STRESS TEST METHODOLOGY AND SUPPORTING TESTIMONY WILL ALSO BE NECESSARY BUT ARE NOT INCLUDED IN THIS FORM OF ORDER.

A FINANCING ORDER APPLICATION AND MOTION TO CONSOLIDATE WILL BE FILED ON THE SCHEDULE SET FORTH IN THE APPLICATION.

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Attachment 1: Description of Cash Flow Model

Attachment 2: Form of Issuance Advice Letter

Attachment 3: Form of Routine True-Up Mechanism Advice Letter

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

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

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

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”). 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

¹ Capitalized terms used but not otherwise defined herein have the meaning defined in the Application.

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.

Charges. PG&E will fund the Customer Credit Trust starting in 2021 with an initial contribution of \$1.8 billion (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 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 shall be referred to herein as “Additional Shareholder Contributions.” 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, except for those Consumers that are exempt from the Fixed Recovery Charges 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 are irrevocable, and the Fixed Recovery Charges will be 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. Except for a limited number of exemptions, these Fixed Recovery Charges 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. (Sections 850(b)(13) and 850.1(g).)

Irrevocable Financing Order: The Commission's financing order authorizing Recovery Bonds, the Fixed Recovery Charges 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, 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 accelerate the second deferred payment of \$700 million 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.

⁵ All references to A.[] include the prepared testimony attached to A.[].

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 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:

⁶ To be updated based on review of testimony regarding a shortfall in the PG&E Credit for a given payment period.

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 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 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.[], 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.[]. 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, and will share with Consumers 25 percent of any surplus, after the payment of all Trust expenses, including any taxes, that exists in the Customer Credit Trust at the end of the life of the Recovery Bonds or sooner if so directed by the Commission, 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 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 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.[], 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 will be 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 accelerate the second deferred cash payment of \$700 million 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 \$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. 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, 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 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 Exhibit ___.

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, once all Recovery Bonds and all Financing Costs have been paid in full and Fixed Recovery Charges cease, or earlier if the Commission so directs, remaining funds in the Customer Credit Trust will be allocated first to Consumers to make up for any shortfall in the Customer Credit in earlier time periods, and then 25% of any surplus will be shared with Consumers.

Finally, the Commission approves (1) the following independent members of the Committee that have been nominated by PG&E: [_____]; (2) \$[___] as the compensation for each independent member of the Committee; and (3) the Customer Credit Trust's investment policies and procedures attached as Exhibit ___.

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

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.

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 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.

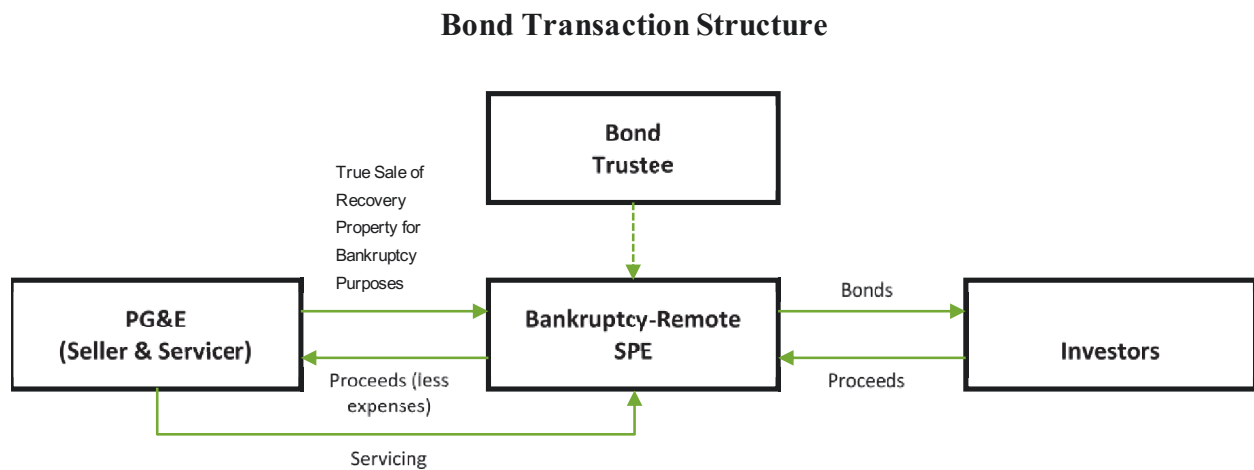
PG&E shall contribute equity to the SPE equal to at least 0.50 percent of the initial aggregate principal amount of each series of Recovery Bonds. The SPE equity will be pledged as Bond Collateral to secure the Recovery Bonds and will be deposited into an account held by the Bond Trustee. This equity contribution is a requirement of the Internal Revenue Service

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

(“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:



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.

¹⁰ See IRS Rev. Proc. 2005-62.

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

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.

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 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.	

After all of the Bonds are issued, all Bond Issuance Costs have been paid by the SPE and net proceeds of the Bonds have been used by the SPE to acquire the Recovery Property, any Bond proceeds not used for Bond Issuance Costs shall be used by the SPE to offset the revenue requirement in the next periodic true-up adjustment for the Fixed Recovery Charges. In the event that the actual Bond Issuance Costs exceed the estimated amount, the short-fall amount may be recovered in the next periodic true-up adjustment for the Fixed Recovery Charges.

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

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.

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. 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.

Each series of Recovery Bonds will have its own Fixed Recovery Charges. 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 will be paid by existing and future electric Consumers in PG&E's Service Territory. Pursuant to Article 5.8, the Fixed Recovery Charges 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.[] 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 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.

¹³ §§ 850.1(e) and (g).

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.

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. 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 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 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 Fixed Recovery Charge adjustments 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 automatically, all Fixed Recovery Charge-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. 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 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 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 and Customer Credit.

Chapter 9 of A.[] 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.[] 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.[], 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

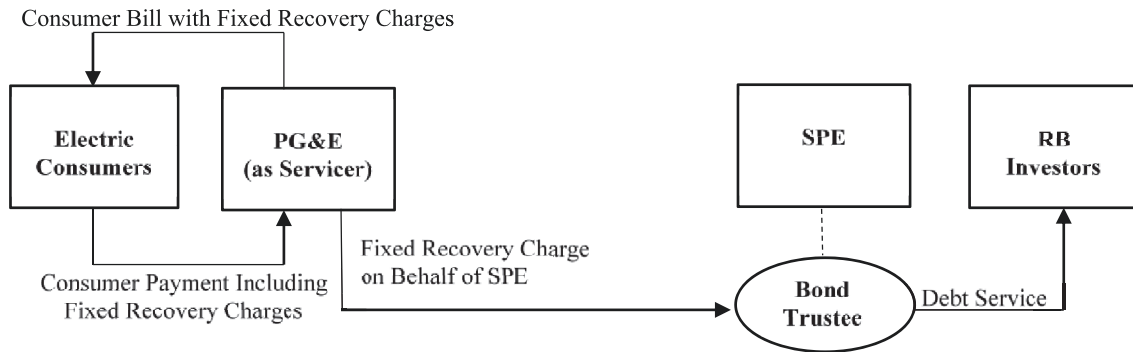
As contemplated by Article 5.8,¹⁵ PG&E will act as the initial servicer for the Recovery Property that will be pledged to secure the Recovery Bonds. As servicer, PG&E will be responsible for reading customer meters, for submitting true-up adjustment letters, and for billing, collecting and remitting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

¹⁵ §§ 850.1(b), 850.1(e), and 850.2.

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

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

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.

Although PG&E will act as servicer, it is possible that ESPs or other entities will bill and collect the Fixed Recovery Charges 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 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

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.

(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 [] and []	(\$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. The SPE shall reimburse PG&E for this fee. 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, 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.

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) to 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. PG&E expects that Catastrophic Wildfire Amounts initially will be partially financed with \$6 billion in temporary utility debt before issuance of the Recovery Bonds. In I.19-09-016, PG&E has 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. As a result of the 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 also will allow PG&E to retire the temporary utility debt that helped enable PG&E to reorganize and emerge from bankruptcy.

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 to be between \$36 and \$57 million, including estimated costs of the Commission.

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. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

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

22. The Fixed Recovery Charges 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.

23. Consumers in PG&E's Service Territory that no longer take transmission or distribution retail service from PG&E after the date of this Financing Order, or that meet relevant criteria in the applicable tariff, will be treated as departing load (DL) Consumers using

applicable language under existing tariffs for DL Consumers, and will be subject to pay Fixed Recovery Charges and entitled to receive the Customer Credit.

24. 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.

25. 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 and other charges to avoid PG&E favoring its own interests.

26. 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.

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

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

29. 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.

30. 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.

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

32. Once all Recovery Bonds and all Financing Costs have been paid in full and Fixed Recovery Charges cease, remaining funds in the Customer Credit Trust will be allocated first to Consumers to make up for any shortfall in the Customer Credit in earlier time periods and then 25 percent of any surplus, after the payment of all Trust expenses, including any taxes, will be shared with Consumers.

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

5. 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.

6. 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."

7. 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.

8. 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."

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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).

15. 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.

16. 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.

17. 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.

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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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.

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

30. 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.

31. 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”).

32. 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.

33. 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.

34. 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.

35. 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.

36. 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.

37. Total Bond Issuance Costs are estimated to range from \$36 to \$57 million, including estimated costs associated with the Commission.

38. 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).

39. When an SPE issues a series of Recovery Bonds, the SPE should estimate the Bond Issuance Costs. After all Bond Issuance Costs are paid by the SPE, any Bond proceeds not used to purchase the Recovery Property or for Bond Issuance Costs should be used to offset the revenue requirement in the next Fixed Recovery Charge true-up calculation. In the event that the actual Bond Issuance Costs exceed the estimated amount, the short-fall amount may be recovered in the next Fixed Recovery Charge true-up calculation.

40. 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.

41. 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.

42. 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.

43. PG&E should establish a separate Fixed Recovery Charge for each Bond series.

44. 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 42.

45. To implement the Fixed Recovery Charges 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 for that series of Recovery Bonds.

46. The initial Fixed Recovery Charges 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 42. Once established, the Fixed Recovery Charge will constitute Fixed Recovery Charges subject to Section 850.1(e).

47. 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 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.

48. 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.

49. 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.

50. 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.

51. 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.

52. 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.

53. 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 42. 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.

54. 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.

55. 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.

56. The adjustments to the Fixed Recovery Charges 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.

57. 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.

58. 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.

59. 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.[].

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

61. 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.

62. The Fixed Recovery Charges 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).

63. 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”) 40, is consistent with the requirement of Section 850.1(g) that the Fixed Recovery Charge “appear on the Consumer bills”, and should be approved.

64. DL Consumers shall be obligated to pay Fixed Recovery Charges using applicable language under existing tariffs and entitled to receive the Customer Credit.

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

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

67. 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.

68. ESPs and other entities that bill and collect the Fixed Recovery Charges from PG&E’s Consumers should satisfy the requirements set forth in PG&E’s Electric Rule 22.P., “Credit Requirements.”

69. 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.¹⁸ In the event such an ownership change affects the payment of rates to PG&E by

¹⁸ §§ 851(a), (b)(1), 854.2(b)(1)(F).

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.¹⁹

70. 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.

71. 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 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.

72. 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

¹⁹ § 850.1(e).

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.

73. 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.

74. 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.

75. 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.

76. 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.

77. 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.

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

79. 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.

80. 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.

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

82. The Fixed Recovery Charge 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.

83. 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.

84. 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.

85. 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.

86. Upon maturity of the Recovery Bonds, payment of all Financing Costs and termination of the Fixed Recovery Charges, remaining funds in the Customer Credit Trust will be allocated first to Consumers to make up for any shortfall in the Customer Credit in earlier time periods and then 25 percent of any surplus, after the payment of all Trust expenses, including any taxes, will be shared with Consumers.

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

88. 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.

89. PG&E should be allowed to set its electric rates and charges, other than 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.

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

91. 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.

92. 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.

93. 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.

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

95. 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.

96. 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.

97. 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).
- 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.” 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. The Customer Credit will solely be funded by amounts deposited in the Customer Credit Trust established by PG&E. 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 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 shall be imposed on all non-exempted Consumers on an equal cents per kWh basis.

12. 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, and will be subject to pay the Fixed Recovery Charges and entitled to receive the Customer Credit. DL Consumers shall pay the Fixed Recovery Charges (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.

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

14. To implement the Fixed Recovery Charge 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 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 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.²⁰ 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

²⁰ 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.

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 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 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.

27. 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.

28. 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.

29. 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.

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

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

32. 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.

33. 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.

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

35. To the extent funds are available in the Customer Credit Trust, PG&E shall provide the Customer Credit using funds in the Customer Credit Trust 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 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.

36. 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.

37. 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.

38. Once all Recovery Bonds and all Financing Costs have been paid in full and Fixed Recovery Charges cease, remaining funds in the Customer Credit Trust will be allocated first to Consumers to make up for any shortfall in the Customer Credit in earlier time periods and

then 25 percent of any surplus, after the payment of all Trust expenses, including any taxes, will be shared with Consumers.

39. 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 regular monthly withdrawals from the Customer Credit Trust to reimburse itself for the Customer Credit. 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.

40. 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.

41. 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, 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.

42. 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 and other rates and charges.

43. If a PG&E Consumer fails to pay the Fixed Recovery Charge, 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.

44. 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.

45. 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.

46. 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 irrevocability of this Financing Order, or of any Fixed Recovery Charges approved hereunder.

47. 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.

48. 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 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.

49. 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.

50. The Tier 1 Advice Letters described in OPs 48 and 49 of this Financing Order shall be ministerial, and will go into effect automatically on the dates described therein.

51. 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.

52. 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.

53. 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.

54. 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

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

56. 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. If there are insufficient funds in the Customer Credit Trust to fund the Customer Credit, PG&E shall separately credit electric Consumers the amount of these servicing fees.

57. 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. If there are insufficient funds in the Customer Credit Trust to fund the Customer Credit, PG&E shall separately credit electric Consumers the amount of this administration fee.

58. 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.

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

60. In the course of authorizing any future change in ownership of assets from PG&E to a public entity as described in COL 69, 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.

61. 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.

62. 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.

63. 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.

64. 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.

65. 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.

66. 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.

67. 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.

68. 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.

69. 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.

70. 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.

71. 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.

72. 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.

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

74. 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”) for electric customers. 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.¹

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 applied to the billed revenue for a given day the collection curve will map that

¹ 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.

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, $\text{Rate/kWh} = \text{FRC Revenue Requirement} / \text{Estimated Sales}$

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 calculations are shown in Exhibit 2.

TABLE 2	
Consumers Fixed Recovery Charge ¹	¢/kWh

Exhibit 3 includes proposed changes to [Part I of PG&E’s Preliminary Statement] to show Fixed Recovery Charges 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

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 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 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.

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.

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 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.

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 calculations are shown in Exhibit 2.

TABLE 2	
Consumer Fixed Recovery Charge ¹	¢/kWh

Exhibit 3 includes proposed changes to Part I of PG&E's Preliminary Statement to show Fixed Recovery Charges 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]
 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

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.

February and these adjustments to Fixed Recovery Charges shall be effective on March 1. No Commission resolution is required. Therefore, these Fixed Recovery Charges 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.XXXXX per kWh. This filing revises the Customer Credit to \$-0.XXXXX 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 Reserve

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 Reserve.

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 Reserve to accumulate amounts to fund the Customer Credit. As shown in Attachment A, PG&E forecasts that the balance in the Reserve 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.XXXXXX per kWh which will utilize 90% of the forecast balance in the Reserve.

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]

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
EXHIBIT 3.2
SECURITIZATION FIXED RATE CHARGE

Exhibit 3.2
Securitization Fixed Rate Charge
Millions of Dollars

	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
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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

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

¹Accountant's, Legal, Trustee/Trustee's Counsel, Independent Managers', Printing/Edgarizing 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