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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for
Authority, Among Other Things, to Increase Rates
and Charges for Electric and Gas Services Effective
on January 1, 2020

(U 39 M)

Application No. 18-12-009
(Filed December 13, 2018)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
MOTION FOR OFFICIAL NOTICE OF FACTS**

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Dated: November 12, 2020

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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MOTION FOR OFFICIAL NOTICE OF FACTS**

Pursuant to Rules 11.1 and 13.9 of the California Public Utilities Commission’s Rules of Practice and Procedure, and California Evidence Code Section 452, Pacific Gas and Electric Company (PG&E) respectfully files this motion requesting official notice of certain factual information contained in an advice letter and prior testimony filed with the California Public Utilities Commission. These facts provide support for PG&E’s Opening Comments on the Administrative Law Judges’ Proposed Decision in this proceeding as follows:

- Attachment A: Advice Letter 5984-E. *Pacific Gas and Electric Company’s Quarterly Advice Letter Pursuant to Assembly Bill 1054 Regarding the Implementation of Its Approved Wildfire Mitigation Plan and Its Safety Recommendations (Oct. 28, 2020)*. The purpose of this AL is to comply with PUC Section 8389(e)(7), established by California Assembly Bill (AB) 1054, for the third quarter of 2020—the fifth quarter following PG&E’s receipt of its Initial Safety Certification on August 23, 2019. PG&E requests official notice of the fact that by the end of third quarter 2020, it performed 238 line miles of system hardening as shown in the table on page 2 of the advice filing.
- Attachment B: A. 20-04-023. *Pacific Gas and Electric Company Securitization Prepared Testimony (PUBLIC) (Aug. 7, 2020)*. This testimony was offered in support of PG&E’s proposal to finance wildfire claims costs following its emergence from Chapter 11 as authorized by Senate Bill 901. PG&E requests

official notice of the fact that its cost of debt was 2.9 percent at the time, as described on page 6-1, lines 23 and 24 of this testimony.

- Attachment C: A. 18-03-015. *Pacific Gas and Electric Company 2018 Catastrophic Event Memorandum Account Revised Testimony* (Clean Version), Chapter 3, Tree Mortality and Fire Risk Reduction Activities and Costs (May 1, 2020). This testimony was offered in support of PG&E's proposal to recover costs associated with following 11 catastrophic events including tree mortality and fire risk reduction costs incurred between 2016 and 2019 pursuant to Commission Resolution ESRB-4. PG&E requests official notice that, as shown on page 3-3, Table 3-1 of the Revised Testimony, PG&E incurred a total of \$556.9 million for tree mortality and fire risk reduction between 2016 and 2019 as follows: 2016 - \$254.3 million; 2017 - \$135.0 million; 2018 - \$90.3 million; and 2019 - \$77.3 million.

Rule 13.9 of the Commission's Rules of Practice and Procedure states that "[o]fficial notice may be taken of such matters as may be judicially noticed by the courts of the State of California pursuant to Evidence Code section 450 et seq." Section 452(h) of the California Evidence Code provides that judicial notice may be taken of "[f]acts and propositions that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy."

The advice letter filing and testimony attached were filed with the CPUC and are publicly available on the CPUC website. There is no reason to doubt the accuracy of the information about PG&E's gas and electric operations or for which PG&E requests official notice by the Commission. Granting this motion will ensure that the Commission considers the most accurate data regarding in reaching a final decision on PG&E's 2020 GRC.

For these reasons, PG&E respectfully requests that the Commission provide official notice of the attached documents.

Respectfully Submitted,

MARY A. GANDESBERY
MICHAEL KLOTZ

By: /s/ Mary Gandesbery

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Dated: November 12, 2020

Attorneys for

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ATTACHMENT

Pages from the following documents. Each is available in full on the CPUC website at <https://www.cpuc.ca.gov/documents/>

Attachment A: Advice Letter 5984-E. Pacific Gas and Electric Company's Quarterly Advice Letter Pursuant to Assembly Bill 1054 Regarding the Implementation of Its Approved Wildfire Mitigation Plan and Its Safety Recommendations, pp. 1-7 (Oct. 28, 2020).

Attachment B: A.20-04-023. Pacific Gas and Electric Company Securitization Prepared Testimony (PUBLIC) Chapter , pp. 1-1 to 1-6 (Aug. 7, 2020).

Attachment C: A. 18-03-015. Pacific Gas and Electric Company 2018 Catastrophic Event Memorandum Account Revised Testimony (Clean Version), Chapter 3, Tree Mortality and Fire Risk Reduction Activities and Costs, pp. 3-1 to 3-3 and Table 3-1. (May 1, 2020).

PACIFIC GAS AND ELECTRIC COMPANY

ATTACHMENT A

ADVICE LETTER 5984-E.

**PACIFIC GAS AND ELECTRIC COMPANY'S QUARTERLY
ADVICE LETTER PURSUANT TO ASSEMBLY BILL 1054
REGARDING THE IMPLEMENTATION OF ITS APPROVED
WILDFIRE MITIGATION PLAN AND ITS SAFETY
RECOMMENDATIONS**

October 28, 2020

Advice 5984-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Pacific Gas and Electric Company's Quarterly Advice Letter Pursuant to Assembly Bill 1054 Regarding the Implementation of Its Approved Wildfire Mitigation Plan and Its Safety Recommendations

Per Public Utilities Code (PUC) Section 8389(e)(7), Pacific Gas and Electric Company (PG&E) hereby submits this Tier 1 Advice Letter (AL) detailing the status of its approved wildfire mitigation plan, recommendations of the most recent safety culture assessment, recommendations of the board of directors' safety committee meetings that occurred during the quarter, and a summary of the implementation of safety committee recommendations from the previous Advice Letter submittal (if any), as well as other information to help illustrate the above.

Purpose

The purpose of this AL is to comply with PUC Section 8389(e)(7), established by California Assembly Bill (AB) 1054, for the third quarter of 2020—the fifth quarter following PG&E's receipt of its Initial Safety Certification on August 23, 2019.

Background

On July 12, 2019, Governor Newsom signed AB 1054 into law adding Section 8389(e)(7) to the Public Utilities Code which requires, as one of the conditions to the executive director of the Commission issuing a safety certification, documentation of the following:

The electrical corporation is implementing its approved wildfire mitigation plan. The electric corporation shall file a Tier 1 advice letter on a quarterly basis that details the implementation of both its approved wildfire mitigation plan and recommendations of the most recent safety culture assessment, and a statement of the recommendations of the board of directors' safety committee meetings that occurred during the quarter. The advice letter shall also summarize the implementation of the safety committee recommendations from the electrical corporation's previous advice letter filing. If the division has reason to doubt the veracity of the statements contained in the advice letter filing, it shall perform an audit of the issue of concern.

Q3 2020 Update

Implementation of Approved Wildfire Mitigation Plan (WMP)

On June 11, 2020, the Commission voted unanimously to adopt Resolution WSD-002 and Resolution WSD-003, which conditionally approved PG&E's 2020 Wildfire Mitigation Plan (WMP). PG&E's WMP was filed February 7, 2020, and subsequently updated on February 28 and March 17, 2020.¹ This approval included 41 "conditions" that PG&E must resolve, primarily focused on providing additional analysis and program details. Of these 41 conditions (12 for all utilities and 29 specific to PG&E), PG&E provided responses to the 8 "Class A" Conditions on July 27th and to the 30 "Class B" Conditions on September 9th, as required. The remaining 3 "Class C" conditions will be submitted as part of the next annual WMP update in February 2021.

PG&E committed to a number of specific targets in the approved 2020 WMP. Status against those key unitized work targets for 2020 year-end completion through the end of the third quarter is below. Despite the record-setting August heat wave resulting in rotating outages, September Public Safety Power Shutoff (PSPS) events, COVID-19, and unprecedented wildfires, PG&E is generally on track through the end of the third quarter and remains committed to the targets outlined in the 2020 WMP.

Plan Area	Wildfire Mitigation Activity	Actual Units	Target Units	% Complete Through Q3
Vegetation Management	Enhanced Vegetation Management (line miles)	1,624	1,800	90%
Grid Design and System Hardening	System Hardening (line miles)	238	221	108%
	Butte County Rebuild (Underground line miles)	19.6	20	98%
	Temporary Microgrids (operationally ready microgrids)	3	≥1	300%
	Distribution Segmentation (automated devices)	603	592	102%
	Transmission Line Switches	36	23	157%
Asset Management and Inspections	Transmission HFTD Enhanced Inspections (structures)	25,468	~26K ²	97%
	Distribution HFTD Enhanced Inspections (poles)	338,801	~349K ²	97%
	Substation HFTD Enhanced Inspections	99	99 ²	100%
Situational Awareness	Weather Stations	309	400	77%
	HD Cameras	132	200	66%

¹ PG&E's 2020 WMP is available at www.pge.com/wildfiremitigationplan.

² Distribution, Transmission, and Substation inspection target units adjusted to align with the 2020 workplan and align with the 2020 WMP inspection cycle targets.

Moreover, PG&E defined 38 commitments in the 2020 WMP that are due before the end of 2020. Through the end of the third quarter, there were 17 commitments completed, 5 are “Behind Schedule”, and 2 are “Off Track”. While there are 7 commitments that are currently in “Behind Schedule” or “Off Track” execution status, recovery plans have been developed to ensure these commitments, with the exception of one, will be completed before the end of 2020. The one exception was communicated as part of the CPUC’s WMP “Change Order” process. PG&E submitted a “Change Order” on September 11th to communicate a change in the deployment timing for one of the 2020 WMP Commitments, the Sensor IQ Pilot, due to technical issues that have been identified during program development. If that change order is accepted by the CPUC, the status of that commitment would change to “On Track”.

See table below for status by Plan Area of all 38 2020 WMP Commitments due by end of 2020.

Plan Area	Completed on Time ³	On Track ³	Behind Schedule ³	Off Track ³	Total
B. Situational Awareness and Forecasting	6	1	2	1	10
C. Grid Design and System Hardening	4	5	2	1	12
D. Asset Management and Inspections	2	2			4
E. Vegetation Management & Inspections		1			1
F. Grid Operations and Protocol	3				3
I. Emergency Planning and Preparedness	2	5	1		8
Total	17	14	5	2	38

Implementation of the Recommendations of Most Recent Safety Culture Assessment

On October 28, 2020, PG&E submitted its eighth Safety Culture and Governance quarterly report for the third quarter of 2020, in compliance with CPUC Decision 18-11-050. Attachment A, Safety Culture and Governance Quarterly Report No. 08-2020, details PG&E’s implementation of recommendations from its most recent safety culture assessments.

Recommendations of Board of Directors Safety Committee Meetings During Q3 2020

The PG&E Board of Directors’ Safety and Nuclear Oversight (SNO) Committee is an important part of PG&E’s Board-level oversight of safety, enterprise risk, and other matters. A SNO Committee also concurrently exists at the PG&E Corporation Board (together referred to as “SNO Committees”). On July 2, PG&E and PG&E Corporation appointed new members of the SNO Committees following a substantial refresh of the Boards in which all but three of the prior directors were replaced with new members.

³ Blue = completed; Green = on plan; Amber = ≤~1 month behind plan; Red = >1 month behind plan

In addition to the SNO Committees' duties, composition, and activities described in Advice Letter 5700-E, following D. 20-05-053, the SNO Committees charter was updated to include expanded oversight of the Wildfire Mitigation Plan and the Public Safety Power Shutoff program. Also, the newly redefined position of Chief Risk Officer will provide reports directly to the SNO Committees similar to the current practice of the Chief Safety Officer (CSO).

During the third quarter of 2020, the SNO Committees met on July 2, 2020, July 28, 2020 and September 16, 2020, and participated in a joint session with the PG&E Corporation and PG&E Audit Committees and the PG&E Corporation Compliance and Public Policy (CPP) Committee, also on July 28, 2020.

During the July 28 stand-alone SNO Committees meeting, the SNO Committees reviewed a safety tailboard on excavation and discussed the 5-year safety plan focused on key safety initiatives, systems, standards, safety culture and public safety with the CSO. The SNO Committees also received a nuclear safety performance update from the Chief Nuclear Officer, including a nuclear safety culture report by Nuclear Safety Culture Monitoring Panel (NSCMP). Additionally, the SNO Committees reviewed the second quarter WMP report and discussed PG&E's mitigations and preparedness for the wildfire season.

During the July 28 joint session with the Audit Committees and the CPP Committee, the SNO Committees reviewed a tailboard on confined spaces and received a safety performance update by the CSO. The SNO Committees also had an in-depth discussion on enterprise operational risks and cross-cutting factors related to: (1) the risk of a nuclear core damaging event, (2) the risk of a reduced skilled and qualified workforce, and (3) the risk of an IT asset failure. The SNO Committees received an update on the enterprise data management strategy and the second quarter Internal Auditing report and Audit Plan update, including a summary of open high-risk operational audit issues, including safety, and the status of action plans to address issues identified.

During the September 16 meeting, the SNO Committees reviewed a safety tailboard on wildfire smoke and critical controls as well as overall safety performance with the CSO, and discussed the status of investigations into recent Electric Transmission arc flash incidents and a structure collapse, as well as a helicopter crash in June 2020. The SNO Committees received an update on the Independent Safety Oversight Committee (ISOC) assessment and the overall workforce safety strategy implementation. The SNO Committees received a nuclear safety performance update, including observations from the recent Nuclear Safety Oversight Committee (NSOC) report. The SNO Committees also reviewed summaries of open high-risk operational audit issues with operational risks, including safety, and the status of action plans to address issues identified. Lastly, the SNO Committees had in depth discussions on four enterprise operational risks and cross cutting factors: (1) potential seismic impact, (2) risk of a real estate or facility failure, (3) risk of a large uncontrolled water release, and (4) risk of loss of containment resulting in a potential pipeline rupture.

There is an ongoing dialogue between the Chair of the SNO Committees and management, with frequent engagements around the safety strategy, safety performance updates and corrective actions in the normal course of business. The SNO Committees made the following specific safety-related recommendations to management during the third quarter of 2020:

- Expand safety benchmarking to consider other industries in addition to utilities
- Evaluate whether PG&E is prepared from a safety perspective for the demands of faster restoration times in potential future PSPS
- Analyze aviation safety, considering number of hours in the air, safety history and benchmarking
- Consider an aspirational goal for safety as part of the development of the long-term safety plan
- Include all levels of management in safety reporting, and ensure follow-up after safety incidents
- Include presentations from the line-of-business leaders related to how they are improving safety in their areas in SNO Committees meetings
- Provide an in-depth review of the effectiveness of the Near-Hits reporting program, as well as the CAP program in reducing Safety risk
- Share investigation conclusions with the SNO Committees once complete (for example, once the arc flash incident investigation is complete).
- Consider further actions to mitigate and track critical risks and periodic re-assessments to verify risks have decreased as expected.

Implementation of Recommendations/Guidance and Direction disclosed in Advice Letter 5899-E

The following summarizes actions that management has taken to implement guidance and direction from the SNO Committees that was described in Advice Letter 5899-E for the second quarter of 2020.

- Recommendation #1: Find out if off-road utility vehicles (OUV) require signage.

Management's response: Management reviewed the applicable laws and regulations and signage is not required.

- Recommendation #2: Continue to engage collaboratively with the unions and union-represented employees on the development and implementation of the long-term safety plan.

Management's response: PG&E continues to engage with union-represented employees on safety plans and objectives. For example, union-represented employees participate in the bi-weekly safety council meetings, a forum in which new initiatives and improvements are discussed and active feedback is provided. In addition, they are represented on the Enterprise Safety Council as well as in grass-

roots efforts. The CSO meets regularly with union leaders, who are included in incident reviews and corrective action planning. The BODs also met with representatives of IBEW on September 17, 2020 and will meet with representatives of ESC on October 28, 2020.

- Recommendation #3: Regularly update the SNO Committees on the progress of the WMP.

Management's response: PG&E provides monthly and quarterly reporting on WMP progress to the SNO Committees. The reports include update on wildfire season readiness of PG&E's systems, people, and partners, as well as progress on key wildfire risk reduction and PSPS mitigation work. Additionally, the reports provide a detailed review of PG&E's compliance with probation terms issued in 2019, such as compliance with vegetation management regulations and WMP commitments among others.

Protests

*****Due to the COVID-19 pandemic and the shelter at home orders, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than November 17, 2020, which is 20 days after the date of this submittal. Protests must be submitted 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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 1 advice submittal become effective upon date of submittal, which is October 28, 2020.

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 and the parties on the service list for R.18-10-007, R.18-12-005, and I.15-08-019. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

_____/S/

Erik Jacobson
Director, Regulatory Relations

Attachment:

Attachment A: Safety and Culture Governance Quarterly Report

cc: Service Lists R.18-10-007, R.18-12-005, and I.15-08-019

PACIFIC GAS AND ELECTRIC COMPANY

ATTACHMENT B

A.20-04-023.

PACIFIC GAS AND ELECTRIC COMPANY

SECURITIZATION PREPARED TESTIMONY (PUBLIC)

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
INTRODUCTION
WITNESS: DAVID THOMASON

A. Introduction

This Chapter introduces Pacific Gas and Electric Company's (PG&E or the Utility) proposal to finance \$7.5 billion of 2017 wildfire claims costs through the issuance of recovery bonds following its emergence from Chapter 11 (the Securitization).¹ PG&E requests that the California Public Utilities Commission (CPUC or Commission) authorize the Securitization pursuant to Senate Bill (SB) 901. Specifically, 2017 wildfire costs and expenses that are "disallowed for recovery in rates" pursuant to Sections 451 and 451.2² can be recovered, including through the issuance of recovery bonds, in circumstances that apply here.

In a March 20, 2020 statement filed in PG&E's Chapter 11 case, Governor Gavin Newsom stated:

The Debtors' financial plan also contemplates an application to the CPUC for a securitization of up to \$7.5 billion in wildfire claims costs. The Governor believes that a rate neutral securitization pursuant to Senate Bill 901 (Dodd, Chapter 626, Statutes of 2018) that meets all legal requirements as determined by the CPUC would, in his judgment, be in the public interest, as it would strengthen the going-forward business and support the reorganized Utility's ability to provide safe, reliable, affordable and clean energy to its customers.³

¹ For this and the remaining chapters of testimony, capitalized terms not defined within the chapter have the meaning ascribed in the application or elsewhere in the testimony.

² All statutory references are to the Public Utilities Code unless otherwise noted.

³ 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 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 (Governor's Statement), at 4 ¶ 5. A copy of the Governor's Statement was filed and served on Mar. 23, 2020 in Investigation (I.) 19-09-016 (the POR OII, which is the Commission proceeding to review PG&E's Plan) as Exhibit 3 to PG&E's Motion for Official Notice of Documents or, in the Alternative, to Accept Documents as Late-Filed Exhibits, filed March 23, 2020 (Official Notice Motion). On March 24, 2020, Administrative Law Judge Allen granted PG&E's motion and took official notice of the requested documents in that proceeding.

1 PG&E believes that, as shown by the application and supporting testimony,
2 the proposed Securitization is consistent with the Governor's statement and
3 meets all of the legal requirements for the Commission to determine that it is in
4 the public interest. The proposed Securitization would strengthen PG&E's credit
5 metrics and expedite its path back to an investment-grade issuer credit rating to
6 the benefit of all stakeholders, including customers,⁴ through reduced borrowing
7 costs. The proposed Securitization also would enable PG&E to retire \$6 billion
8 of temporary utility debt that was issued on emergence to pay wildfire claims
9 costs (\$6 Billion Temporary Utility Debt) and to accelerate the final payment to
10 wildfire victims as described in PG&E's Plan,⁵ financing those costs on favorable
11 terms over the life of the proposed recovery bonds (the Recovery Bonds).

12 Importantly, PG&E proposes to provide a separate credit to customers
13 funded by shareholder assets (the Customer Credit). The shareholder assets
14 will be placed in a trust (the Customer Credit Trust or Trust), dedicated
15 exclusively to providing the Customer Credit. PG&E forecasts that the Customer
16 Credit will equal the costs of the Securitization in each billing period such that
17 the transaction is anticipated to be rate-neutral. In addition, as described below,
18 PG&E proposes to share with customers 25 percent of any surplus of the
19 shareholder assets in the Customer Credit Trust at the end of the life of the Trust
20 (as defined in the Summary of Terms of Customer Credit Trust).⁶ As described
21 below, this is a significant additional benefit of the proposed Securitization.

4 As used herein and in the remaining chapters of testimony, references to "customer" include the term "consumer" as defined in Section 850(b)(3) and as used in Section 850.1(b). See Pub. Util. Code § 850(b)(3) ("Consumer" means any individual, governmental 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, the electrical corporation, or any other party.").

5 PG&E's Plan or the Plan refers 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. Based on the anticipated timing of the proposed Securitization, it would enable PG&E to accelerate the second of the two deferred payments to the Fire Victim Trust provided for in PG&E's Plan and related documents. See note 13 below.

6 The Summary of Terms of Customer Credit Trust is Exhibit 6.1 to Chapter 6: Customer Credit Mechanism and Investment Returns (D. Thomason; G. Allen).

1 This Chapter also provides an overview of PG&E's application, which asks
2 the Commission to make the determinations necessary to authorize the
3 Securitization pursuant to SB 901 by: (1) applying the Stress Test Methodology,
4 as defined and adopted in Decision (D.) 19-06-027, and (2) finding that
5 \$7.5 billion in 2017 wildfire costs and expenses are Stress Test Costs that may
6 be financed through the issuance of recovery bonds pursuant to
7 Section 451.2(c) and Section 850.1(a).⁷ PG&E will file a second and
8 subsequent application asking the Commission to enter a financing order
9 authorizing the Securitization. To streamline the process, PG&E will seek to
10 consolidate the two proceedings and to have a single consolidated decision on
11 both the financing order application and this application.⁸

12 As a preliminary matter, this Chapter also provides an overview of key
13 events that have occurred since PG&E filed the application on April 30, 2020.
14 As directed by the Assigned Commissioner's Scoping Memo and Ruling, issued
15 July 28, 2020 (Scoping Memo),⁹ PG&E is submitting updated testimony
16 following its emergence from Chapter 11 on July 1, 2020, and this Chapter
17 summarizes those updates. The chapters being updated are:

- 18 • Chapter 1, Introduction;
- 19 • Chapter 2, Background on Utility Securitizations;
- 20 • Chapter 3, Transaction Overview;
- 21 • Chapter 5, Stress Test Methodology;
- 22 • Chapter 6, Customer Credit Mechanism and Investment Returns;
- 23 • Chapter 7, Comparison of Traditional Financing and Securitization; and
- 24 • Chapter 9, Rate Proposal.

⁷ Pub. Util. Code § 451.2(c) (providing that an electrical corporation may apply for a financing order "for the amount of costs and expenses allocated to the ratepayer . . . as disallowed for recovery but exceeding the [Customer Harm Threshold]"); *id.* § 850.1(a)(1)(A) (providing that the Commission shall issue a financing order if costs are "allocated to the ratepayers pursuant to subdivision (c) of Section 451.2").

⁸ Although PG&E did not include the financing order request in the application, a form of financing order authorizing the proposed Securitization was attached as Exhibit 3.1 to Chapter 3, Transaction Overview (M. Becker), so that the Commission and other parties have additional time to review the anticipated findings and rulings necessary to authorize the Securitization. See Pub. Util. Code § 850.1(g) (requiring approval or disapproval of financing order application within 120 days of application).

⁹ Assigned Commissioner's Scoping Memo and Ruling, A.20-04-023 (July 28, 2020) (Scoping Memo), at 7-9.

As described below, the updates strengthen the basis to approve the Application and the Recovery Bonds. The Stress Test analysis has been confirmed by the rating agency actions, the benefits of accelerating the path back to investment-grade issuer credit rating have been quantified, the cost of the Recovery Bonds has decreased, and the expectation that the Customer Credit and Trust surplus sharing will equal or exceed the fixed recovery charge (FRC) has increased.

B. Significant Events Since PG&E Filed the Application on April 30, 2020

1. Issuance of Credit Ratings

On June 15, 2020, the three major credit rating agencies—Standard & Poor's, Inc. (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch)—assigned new credit ratings to PG&E:

- S&P assigned PG&E a BBB- issue rating to PG&E's senior secured debt, and a BB- issuer rating;
- Moody's assigned PG&E a Baa3 rating to PG&E's senior secured debt, and a Ba2 issuer rating; and
- Fitch Ratings assigned PG&E a BBB- issue rating to PG&E's senior secured debt, and a BB issuer rating.

The issuer credit ratings assigned to PG&E by S&P, Moody's, and Fitch are all below investment grade. As described below, Chapter 5 now addresses these new credit ratings and their relevance to the application, and the various rating actions and reports issued by the rating agencies are attached as exhibits to the updated testimony.

In addition, as directed by the Scoping Memo,¹⁰ certain confidential exhibits have been attached to this chapter as follows:

- S&P Rating Evaluation Letter dated March 23, 2020 as Exhibit 1.2;
- Moody's Rating Assessment Letter dated March 18, 2020 as Exhibit 1.3;
- Fitch Rating Assessment Letter dated March 2020 as Exhibit 1.4;
- Rating Agency Presentation from PG&E to the rating agencies as Exhibit 1.5; and
- Rating Agency Presentation Model from PG&E to the rating agencies as Exhibit 1.6.

¹⁰ Scoping Memo at 8.

1 The structure of the financial transaction contained in Exhibits 1.2
2 through 1.4 and the financial forecasts and projections contained in
3 Exhibits 1.2 through 1.6 are not current. The current structure and forecast
4 and projections are set forth in the testimony as updated.

5 **2. PG&E's Emergence from Chapter 11**

6 On January 29, 2019, PG&E and PG&E Corporation commenced cases
7 pursuant to Chapter 11 of the Bankruptcy Code with the U.S. Bankruptcy
8 Court for the Northern District of California. Over the last several months,
9 PG&E built consensus around a plan of reorganization that expeditiously
10 and fairly compensates wildfire victims. On June 20, 2020, the Bankruptcy
11 Court having jurisdiction over the Chapter 11 cases issued an Order
12 confirming PG&E's Plan.¹¹ Prior to that, on June 1, 2020, the Commission
13 had issued Decision (D.) 20-05-053, approving an earlier version of the Plan
14 with conditions and modifications. On June 26, 2020, the Commission filed
15 a statement in the Chapter 11 cases confirming that the final version of
16 PG&E's Plan and the Bankruptcy Court's Confirmation Order are acceptable
17 to the Commission and do not materially change the terms and conditions of
18 D.20-05-053.¹² Thereafter, on July 1, 2020 (the Plan's Effective Date),
19 PG&E and PG&E Corporation consummated their reorganization pursuant
20 to the Plan and emerged from Chapter 11. PG&E has determined that there
21 has not been an ownership change pursuant to Section 382 of the Internal
22 Revenue Code as a result of consummating the Plan.

23 In accordance with the Plan, the Utility issued, refinanced, and
24 reinstated \$33.35 billion in debt. On June 16, 2020, the Utility issued
25 \$8.925 billion of first mortgage bonds in a registered offering, including
26 short-term and long-term debt. On July 1, 2020, the Utility issued
27 \$11.85 billion of first mortgage bonds to refinance certain prepetition debt
28 and reinstated \$9.575 billion of prepetition debt on contractual terms. In

11 Order Confirming Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated June 19, 2020, *In re PG&E Corporation*, Case No. 19-30088 (Bankr. N.D. Cal., June 20, 2020), ECF No. 8053.

12 California Public Utility Commission's Statement Regarding the Debtors' Plan of Reorganization and Confirmation Order, *In re PG&E Corporation*, Case No. 19-30088 (Bankr. N.D. Cal., June 26, 2020), ECF No. 8132, at ¶ 2.

1 addition, the Utility obtained a \$3 billion secured term loan. Included within
2 these debt issuances is the \$6 Billion Temporary Utility Debt described
3 above.

4 Also in accordance with the Plan, PG&E Corporation raised \$9 billion of
5 new equity and issued \$4.75 billion of debt, the proceeds of which were
6 used to make equity contributions to the Utility. PG&E Corporation made a
7 further equity contribution to the Utility of 476,995,175 shares of common
8 stock of PG&E Corporation, to be transferred to the Fire Victim Trust
9 pursuant to the Plan and Confirmation Order. The Utility used these equity
10 contributions to satisfy and discharge liabilities under the Plan upon
11 emergence, including the payment and contribution of \$24.15 billion of the
12 \$25.5 billion at Plan Value in settlement of Fire Claims.¹³

13 **3. Updated Financial Forecast**

14 As part of the testimony update, PG&E has updated its financial forecast
15 following emergence from Chapter 11 and incorporated it into the testimony
16 supporting the application, including Chapter 5, Stress Test Methodology (D.
17 Thomason; J. Sauvage), and Chapter 6, Customer Credit Mechanism and
18 Investment Returns (D. Thomason; G. Allen). Items reflected in the updated
19 financial forecast include PG&E's lower-than-anticipated post-emergence
20 cost of long-term debt, COVID-19-related impacts, and changes related to
21 rate base. PG&E has also consulted with its advisors to update the all-in
22 anticipated interest rate on the Recovery Bonds based on market events
23 since April 30, 2020. The anticipated rate is 2.9 percent as compared to 3.0
24 percent at the end of April.

¹³ In accordance with the Plan, PG&E will make deferred payments totaling \$1.35 billion to the Fire Victim Trust in 2021 and 2022, or earlier if the Commission approves the proposed Securitization. See PG&E's Plan §§ 1.6 (describing future payments of "\$650 million to be paid in cash on or before January 15, 2021 pursuant to the Tax Benefits Payment Agreement, and (ii) \$700 million to be paid in cash on or before January 15, 2022 pursuant to the Tax Benefits Payment Agreement"); Tax Benefit Payment Agreement, *In re PG&E Corporation*, U.S. Bankruptcy Court for the Northern District of California, Case No. 19-30088, ECF No. 7929-1 (June 12, 2020), at §§ 1.1(l) and 2.3(b) (describing acceleration of payment to Fire Victim Trust if securitization consummated).

PACIFIC GAS AND ELECTRIC COMPANY

ATTACHMENT C

**A.18-03-015. PACIFIC GAS AND ELECTRIC COMPANY 2018
CATASTROPHIC EVENT MEMORANDUM ACCOUNT REVISED
TESTIMONY (CLEAN VERSION), CHAPTER 3, TREE
MORTALITY AND FIRE RISK REDUCTION ACTIVITIES AND
COSTS, PP. 3-1 TO 3-3 AND TABLE 3-1. (MAY 1, 2020).**

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 3**
3 **TREE MORTALITY AND FIRE RISK REDUCTION**
4 **ACTIVITIES AND COSTS**

5 **A. Introduction**

6 This chapter describes Pacific Gas and Electric Company's (PG&E or the
7 Company or the Utility) tree mortality and fire risk reduction efforts and costs for
8 PG&E's Electric Distribution and Power Generation organizations. Specifically,
9 this chapter discusses the significant and continued effects of drought conditions
10 in California, the incremental activities PG&E took to mitigate those effects on its
11 facilities, and the reasonableness of those activities. This chapter also
12 distinguishes those incremental tree mortality and fire risk reduction efforts from
13 PG&E's routine Vegetation Management (VM) activities funded in the
14 Company's General Rate Case (GRC) versus the VM-related costs that are
15 recorded to the Fire Hazard Prevention Memorandum Account (FHPMA)¹ and
16 Wildfire Mitigation Plan (WMP) related memorandum accounts.² This chapter
17 presents 2016 through 2019 recorded costs associated with these activities.

18 As discussed in Chapter 1, California Public Utilities Commission (CPUC or
19 Commission) Resolution (Res.) ESRB-4 directs investor-owned utilities (IOU) to
20 take remedial measures to reduce the likelihood of fires started by or threatening
21 utility facilities. Specifically, these remedial measures include but are not limited
22 to: "increasing vegetation inspections and removing hazardous, dead and sick
23 trees and other vegetation near the IOUs' electric power lines and poles; sharing
24 resources with the California Department of Forestry and Fire Protection
25 (CAL FIRE) to staff lookouts adjacent to the IOUs property; and clearing access

1 The FHPMA is a memorandum account separate from Catastrophic Event Memorandum Account (CEMA). The costs recorded to the FHPMA will be requested under a separate FHPMA application in the future.

2 In 2019, the Commission authorized two additional wildfire mitigation related memorandum accounts. The Wildfire Mitigation Plan Memorandum Account (WMPMA) tracks costs approved in PG&E's approved 2019 WMP, pursuant to Decision (D.) 19-05-036 and D.19-05-037. The Fire Risk Mitigation Memorandum Account (FRMMA) permits additional wildfire mitigation measures beyond the scope of the approved WMP for cost recovery tracking. The costs recorded to the FRMMA/WMPMA will be requested under a separate application in the future.

1 roads under power lines for fire truck access.”³ Since PG&E began incurring
2 these incremental costs to comply with Res.ESRB-4 back in 2014 to combat the
3 effects of the drought and reduce fire risks, these costs have become significant,
4 as the severity of tree mortality ballooned in 2016, exacerbated by the effects of
5 weather conditions. The incremental VM work that PG&E undertakes is an
6 important proactive measure to reduce fire risks by identifying and removing
7 dead and dying trees, managing vegetation, and other measures to increase
8 customer safety and protect PG&E assets. This work is also required under
9 General Order (GO) 95, Rule 35.⁴ Additionally, in January 2018, the
10 Commission approved a statewide High Fire-Threat District (HFTD) Map, which
11 also factors into PG&E’s activities to manage and reduce fire risks throughout its
12 territory.

13 **B. Recorded Costs for 2016, 2017, 2018 and 2019**

14 PG&E requests recovery of \$556.9 million for incremental activities incurred
15 by its Electric Distribution and Power Generation groups as shown in Table 3-1.

16 PG&E has received support for its activities from the California Board of
17 Forestry and Fire Protection,⁵ the California Fire Safe Council (FSC),⁶ Madera

3 Commission Res.ESRB-4, Ordering Paragraph (OP) 2.

4 See discussion of this requirement in Section D below.

5 Attachment B is the letter from Keith Gilles, Chairman of the California Board of Forestry, to CPUC Executive Director Timothy Sullivan, supporting PG&E’s 2016 VM drought fire risk mitigation activities as consistent with California’s Strategic Fire Plan Goals and Objectives.

6 Attachment A is the letter from Jerry Davies, Chairman of the California FSC, to Executive Director Timothy Sullivan, stating that PG&E’s VM efforts are consistent with the California FSC’s mission of “[m]obilizing Californians to protect their homes, communities and environments from wildfire.”

- 1 County Board of Supervisors,⁷ Board of Forestry Chairman Keith Gilles,⁸
 2 Tuolumne County,⁹ and the Nevada County Fire Safe Council.¹⁰

**TABLE 3-1
 INCREMENTAL RECORDED COSTS
 FOR TREE MORTALITY AND FIRE RISK REDUCTION ACTIVITY
 (MILLIONS OF DOLLARS)**

Line No.	Work Area	Incremental Drought and Tree Mortality Costs				
		2016	2017	2018	2019	Total
1	Electric Distribution	\$247.8	\$127.4	\$85.6	\$74.7	\$535.5
2	Power Generation	6.5	7.6	4.7	2.6	21.4
3	Application Total	\$254.3	\$135.0	\$90.3	\$77.3	\$556.9

- 3 As shown in Table 3-1 above, the total of \$556.9 million is comprised of
 4 \$535.5 million for Electric Distribution activities and \$21.4 million for Power
 5 Generation activities that are summarized below. These expenditures are
 6 related to the CEMA Activities for 2016 through 2019.

- 7 All tree mortality and fire risk reduction costs requested herein are expense.

8 **1. Electric Distribution**

9 **a. 2016 Electric Distribution Vegetation Management Work**

- 10 With respect to PG&E's total 2016 Electric Distribution Vegetation
 11 Management (EDVM) expenditures of \$247.8 million, this was expense
 12 incurred mainly for the incremental tree work of abating dead trees
 13 *identified* in calendar year 2016, but that were not necessarily *completed*
 14 in calendar year 2016. All of this work, began January 2016 and

7 Attachment C, is the support letter from Tom Wheeler, Madera County Supervisor, District 5.

8 Board of Forestry Chairman Gilles' comments can be heard at 49:10 through 49:38 in this recording of the August 22, 2018 Board of Forestry meeting in Sacramento. He states, "The Board has expressed support formally and in the past for PG&E's sense of the need to increase the pace and scale of its own Vegetation Management over time, and for [PG&E's] attempts to bring new technology and additional funding into that effort." <<https://www.youtube.com/watch?v=NaLDFKd8dE&feature=youtu.be>>.

9 Attachment D, is the support letter from Randell Hanvelt, Tuolumne County Supervisor, District 2.

10 Attachment E, is the support letter from Joanne Drummond, Fire Safe Council of Nevada City.