

## OVERVIEW OF RATE NEUTRAL SECURITIZATION APPLICATION

- **Bonds:** PG&E is filing an application under SB 901 for authority to issue \$7.5 billion in bonds securitized by a fixed recovery charge for a portion of 2017 wildfire claims costs
- **Rate-Neutral:** The expected impact to customer bills is zero through a shareholder funded Customer Credit on the bills that is designed to be rate-neutral. Shareholders will fund a Customer Credit Trust to pay the Customer Credit from the following contributions:
  - **Direct Shareholder Contributions** – An initial shareholder contribution of \$1.8 billion
  - **Shareholder Tax Benefits** – Shareholder dollars up to \$7.59 billion generated by certain NOLs from the payment of wildfire claims, among others
  - **Investment Returns** – interest / investment returns from Customer Credit Trust assets
- **Customer Benefits:** Customers will obtain the following benefits:
  - **Forego Recovery** – PG&E foregoes any other cost recovery for claims associated with recent wildfires, including incidents with no alleged violation or where it was determined that PG&E's equipment was not the cause, like the 2017 Tubbs Fire
  - **Investment Grade** – Securitization can accelerate PG&E's path back to investment-grade issuer credit rating which will lower borrowing costs and allow PG&E to continue making critical safety and reliability improvements in its electric system at the lowest possible cost to customers
  - **Payment to Fire Victim Fund** – The Securitization will also benefit wildfire victims by accelerating the deferred payment to the Fire Victim Fund
  - **Trust surplus** – Customers receive 25% of any remaining surplus when the Customer Credit Trust ends; customers pay any deficit but expected value to customers is approximately \$670 million based on investment risk analysis
- **Customer Credit Trust:** Similar to the Nuclear Decommissioning Trusts, managed by a majority-independent committee and assets subject to use restrictions so they will be used exclusively to keep the bonds rate-neutral for PG&E customers
- **CPUC Process and Decision:** Two stage application process with decision requested at December 17, 2020 Commission meeting, after PG&E emerges from bankruptcy
  - Stress Test Cost application filed in April to determine at least \$7.5 billion wildfire settlements paid by shareholders under the Plan are allocable to 2017 wildfires and exceed the customer harm threshold under Public Utilities Code 451.2(b)
  - Financing Order application filed in August, 120 days before meeting, with final form of proposed order
  - PG&E will move to consolidate the two applications